



4th annual report 2006 - 2007



The Founder



"As Gokaldas Exports enters a new growth phase, we look forward to a position of true global leadership by providing unparalleled quality in products and services to our customers everywhere."

Jhamandas H. Hinduja
Jhamandas H Hinduja

Vision

To set a precedent in the global garment manufacturing industry through continuous innovation, exceptional products, focused services and enhanced customer satisfaction.

Mission

Deliver on-time, every time, anywhere in the world.

Keep a sharp eye on product quality and put in all efforts to raise the bar..... constantly.

Comply flawlessly with all statutory regulations required by our customers in any country.

Augment and maintain a logistics infrastructure that adheres to the highest level of efficiency that seamlessly blends with our customers' own supply chain.

Ensure escalating productivity standards at the lowest operating cost, thus offering our customers a product of the highest quality at the most competitive price.

Leadership Award

Gokaldas Exports Limited has been awarded, 'Highest Export Award' in the country and the 'Most Admired Clothing Company of the year 2006'. This award is based on a comprehensive set of attributes including design, technology, value, product, experience, and so on.



Gokaldas Exports has the distinction of winning the top export awards since 1980. Following awards won by the Company this year:

- Largest Exporter of India award, given by Clothing Manufacturers' association of India.
- Most Admired Clothing Company of the year award, given by Clothing Manufacturers' association of India.
- Outstanding Apparel Company award, given by the Government of Karnataka.
- Highest Export Award, given by Apparel Export Promotion Council (AEPC) (Sponsored by Government of India)
- Highest Employment Provider Award, given by AEPC

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Registered Office

No. 70, Mission Road
Bangalore - 560 027, India

Company Secretary

K.B. Shyam Kumar

Statutory Auditors

M/s RSM & Co
Chartered Accountants
"Ambit RSM House"
449, Senapati Bapat Marg
Lower Parel
Mumbai - 400 013

M/s Girish Murthy & Kumar
Chartered Accountants
4502, High Point IV
45, Palace Road
Bangalore - 560 001

Bankers

Canara Bank
Citi Bank

NEW PLANTS ESTABLISHED IN 2006-07

Trouser Plant at
Yelahanka, Bangalore

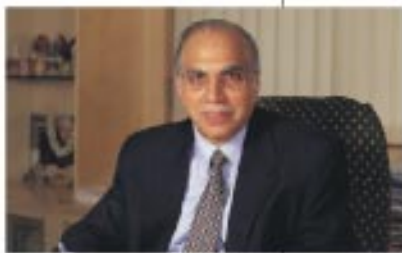


Trouser and Shirt
Plant at Mysore

Board of Directors



Shri Madanlal J Hinduja
Chairman & Managing Director



Shri Rajendra J Hinduja
Executive Director - Finance & Administration



Shri Dinesh J Hinduja
Executive Director - Production & Marketing



Shri Pradip P Shah
Independent Director



Shri H S Nagraj
Independent Director



Shri K P Kumar
Independent Director



Chairman's Statement



Madanlal J Hinduja
Chairman & Managing Director

The year 2006-07 has seen your company take significant steps on the journey to maintain its position to be India's Top Apparel Manufacturing Company. We have achieved a Rs.1000 Crores turnover and this would be the first ever apparel company to cross this milestone.

Besides this, there have been other landmarks which we have crossed and they are:

- (a) Capex of Rs. 105 Crores, highest ever by our company.
- (b) 5 new manufacturing plants established.
- (c) Added a new suit manufacturing plant.
- (d) Started a factory at SEZ Chennai (this has been our first factory outside Bangalore).
- (e) We have added 8000 new employees in the above mentioned factories.

Our growth rate has been rising and many project initiatives undertaken in the last year are bearing fruit. Through this process, we are creating a flexible organization able to deliver new products to different customers and in newer markets.

We believe that there is a great opportunity for a company like yours in the global market place, and our growth is focussed on the following objectives.

1. Increase market share in established markets like USA, Europe and U.K.
2. In India, concentrate on the new retail market which, we understand, is on the brink of a revolution. The domestic retail industry is poised to become a Rs.1,00,000 Crores industry by year 2010.
3. To upgrade our product so that more value addition is achieved, thereby trying to increase the profitability.

We continue to remain focussed on our customers and their needs and want to be an important preferred supplier to them. We have added globally well-known customers to our list and our top 10 customers constitute 85% of our business.

Your company's strength in learning and development will also play a key role. We have embarked upon learning the 'Lean Process' of production and have started this process with a view to improve productivity and to be cost effective. In today's global market, adoption of technology has become a fundamental imperative for companies to sustain the competitive edge in the market place. We are deploying latest garment manufacturing machinery and trying to adopt new systems and methods to respond to changes in the business environment.

GEL continues to be among the largest employers in the private sector with a head count of about 52,000, working in 46 factories. To beat the high cost of establishing and running factories in Bangalore, your company is going to tier-2 towns, like Mysore and Tumkur, where the availability of labour is better and more cost effective. Two new factories have been started, one each in Mysore and Tumkur in April '07. These will grow and become full-fledged factories in 2 months.

We have also embarked on a new initiative to set up a design centre at our administrative office at Bangalore. This facility will offer value-added services to our customers. This centre would offer newer products and ideas, and would provide fresh seasonal collections in a few days.

In the year 2006, Indian apparel exports did not grow at the levels of 2005. The growth levels in 2006 have been as follows.

- 7% to the U.S. market.
- 17% to the European market.
- 10% to the Canadian market.

This performance has been less than expectations, but has mainly been due to strengthening of the Rupee and the fierce competition from our neighbouring countries like, Bangladesh, Vietnam, Indonesia and China. The Government of India is aware of this problem and we expect some radical support from the government to hold the Rupee at lower levels, and added support from the Finance Ministry in terms of increase in duty drawback to compensate the levies like service tax, VAT and other duties which were not earlier refunded.

I am proud to inform that your company has been awarded the 'Largest Exporter Award' for the year 2006 and also the 'Most Admired Apparel Company of the Year' award.

At GEL the management, the staff and the workers would strive to do their best to keep the flag flying high and trying to reach greater heights.

Thank you.

Madanlal J Hinduja
Chairman & Managing Director



New Suit Plant at Bangalore



Trouser Plant at Peenya,
Bangalore



New World Class Laundry
Facility

Director's Report

Your Directors are pleased to present their Fourth Annual Report on the business and operations of your Company for the year ended March 31, 2007.

Financial Results

(Rs. In lakhs)

Particulars	Year ended March 31, 2007	Year ended March 31, 2006
Profit Before Tax	7799.11	6794.04
Less: Provision for Tax	770.84	705.70
Profit after Tax	7028.27	6088.35
Balance brought forward from last Year	8354.58	3476.46
Amount available for appropriation	15382.85	9564.81
Appropriations:		
Proposed dividend	687.52	515.64
Corporate dividend tax	116.84	84.59
General Reserve	710.00	610.00
Balance carried forward	13868.49	8354.58

The company reported turnover of Rs.99981.33 lakhs (stand alone) for the year ended March 31, 2007 and profit after tax at Rs.7028.27 lakhs. The Company added new customers and existing buyers have increased their offtake resulting in higher turnover.

Dividend

Your directors recommend a dividend of Rs.2/- per share (40%) for the year ended March 31, 2007, an increase of 10% over the previous year ended March 31, 2006, subject to the approval of the shareholders at the ensuing Annual General Meeting. Shareholders whose names stand registered on the register of members at the close of market hours on August 09, 2007 would be entitled for the dividend.

Operations Review

During the financial year 2006-07, the company has surpassed Rs.1,000 Crores turnover. This is mainly due to the increase in demand for the company's products and addition of new customers. Opening of new factories also added to the increase in business volumes.

The year 2006-07 is seen as a big investment year in the Textile and Clothing Industry. Approximately Rs.16,000 Crores' loans have been availed by the industry under the TUF Scheme (Technology Upgradation Scheme) and this value of capex has been installed across India.

The export growth rate of 2006-07 when compared to 2005-06 has been a little subdued, and among the main reasons for this has been the strengthening of the Rupee against the US Dollar and the fierce competition from our neighbouring countries like Bangladesh, Vietnam and Indonesia.

Your company has exceeded the national rate of growth and our annual sales (top line) has increased by 16%. We have achieved a sales turnover of Rs.1005 Crores. This is a milestone for any Indian Apparel Company to achieve.

The Company has installed the highest capex of Rs.105 Crores in the year 2006-07 and following are the new plants which were commissioned.

- Suit plant at Peenya, Bangalore.
- Trouser unit at Yelahanka.
- Trouser unit at Yeshwanthpur, Bangalore.
- Knitwear unit at Hosur Road, Bangalore.
- Apparel Unit at SEZ, Chennai (MEPZ Tambaram)

In these 5 units, about 8000 workers have been employed, thereby increasing our headcount to about 52,000.



INSIDE VIEWS OF SUIT PLANT



Three other units are being commissioned, and they are:

- a) Newfactory at Tumkur.
- b) Newfactory at Mysore.
- c) Newfactory at Hyderabad.

However, since these are commissioned after April, '07, they will find a place in next year's annual report.

Our customer base has been expanded and a few major players have been added to our customer list. Our top 10 customers now constitute about 85% of our export sales, and dependence on the big buyers has thereby been reduced.

We are happy to inform that the following Awards have been won by your company this year.

- Largest Exporter of India award, given by Clothing Manufacturers' Association of India.
- Most Admired Clothing Company of the year award, given by Clothing Manufacturers' Association of India.
- Outstanding Apparel Company award, given by the Government of Karnataka.
- Highest Export Award, given by Apparel Export Promotion Council (AEPC) (Sponsored by Government of India)
- Highest Employment Provider Award, given by AEPC

Capital Structure

During the year, your company sub-divided the face value of equity share of Rs.10/- to 2 shares of Rs.5/- each after obtaining the due approvals from the shareholders at the Extra Ordinary General Meeting held on December 11, 2006 mainly to enhance the liquidity to the Company's shares in the Stock Exchanges in the secondary market. The company has completed the necessary formalities with the National Securities Depository Limited (NSDL), Central Depository Services India Limited (CDSL), Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) to credit the sub-divided shares to their respective de-mat accounts of the shareholders and list on BSE & NSE from February 08, 2007.

Utilisation of IPO Proceeds

The company has utilized the entire amount of Rs.13281.25 lakhs for setting up of new factories/ units, modernisation/expansion of existing factories/units and towards issue expenses.

Subsidiary Companies

In line with the requirements of Accounting Standard AS - 21 issued by the Institute of Chartered Accountants of India, consolidated financial statements presented by the Company include the financial information of its subsidiaries, which were acquired by the Company on 1st December 2004. The Company has received approval from the Ministry of Company Affairs, Delhi vide order dated February 21, 2007 exempting the Company from attaching the annual accounts of the subsidiary Companies as required under section 212 of the Companies Act 1956. Accordingly, this annual report does not contain the annual accounts and other information of the following subsidiary companies:

- i. All Colour Garments Private Limited
- ii. DeeJay Trading Private Limited
- iii. Glamourwear Apparels Private Limited
- iv. Madhin Trading Private Limited
- v. Magenta Trading Private Limited
- vi. Rafter Trading Private Limited
- vii. Rajd In Apparels Private Limited
- viii. Reflexion Trading Private Limited
- ix. Rishikesh Apparels Private Limited
- x. Seven Hills Clothing Private Limited
- xi. SNS Clothing Private Limited
- xii. Vignesh Apparels Private Limited
- xiii. Robot Systems Private Limited

Any shareholder desires to obtain a copy of accounts and other information pertaining to any/all subsidiaries may write to the Company Secretary at the registered office of the Company and the same will be sent by post.



MODERN WORLD CLASS FACILITIES



Corporate Governance

As per the revised clause 49 of the Listing Agreement with the Stock Exchanges, which became effective January 01, 2006, a detailed note on Corporate Governance is given separately. The company has complied with the requirements and disclosures that have to be made in this regard. The Auditors' Certificate confirming the compliance of the Corporate Governance requirements by the company is attached to the Report on Corporate Governance.

Management's Discussion and Analysis

A detailed review of operations, performance and future outlook of the Company is given separately under the head "Management's Discussion and Analysis".

Listing

The equity shares of the Company are listed on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The company has paid the listing fees to the respective stock exchanges upto date. The Company's shares are tradable compulsorily in the dematerialized form and the Company has entered into an agreement with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) for trading in electronic form.

Directors

Shri Pradip P Shah and Shri K P Kumar, Directors retire by rotation in accordance with the provisions of the Companies Act, 1956 and being eligible, offer themselves for re-appointment.

Shri Pradip P Shah holds an MBA from Harvard Business School and Bachelor degree from Sydenham College, Bombay, apart from holding Cost Accountant and Chartered Accountant degrees.

He is a Director of Asset Reconstruction Company (India) Limited, BASF India Limited, Godrej & Boyce Mfg. Limited, Pfizer Limited, TAIB Bnak E.C (Bahrain), Wartsila India Limited amongst other companies.

He is currently the Chairman of Indasia Fund Advisors Private Limited, Mumbai. He is a non –executive and independent director of the Company.

Shri Kumar is a law graduate with more than 30 years of experience. He served as Partner, Senior Partner and Senior Advocate in King & Partridge, Advocates. Currently, he is the Advisor for King & Partridge. He is also on the Board of Karur Vysya Bank Limited.

He is also a non –executive and independent director of the Company.

Names of the Companies* / firms in which Directors of the Company hold / held office as Director / Partner are given below:

Shri Madanlal J Hinduja

- ❖ Parichay Investments Ltd.
- ❖ Vag Exports Private Ltd.
- ❖ JVN Exports Private Ltd.
- ❖ Poly Products Private Ltd.
- ❖ Maze Trading Private Ltd.
- ❖ Rafter Trading Private Ltd.
- ❖ Reflexion Trading Private Ltd.
- ❖ Madhin Trading Private Ltd.
- ❖ Magenta Trading Private Ltd.
- ❖ DeeJay Trading Private Ltd.
- ❖ Dazzle Trading Private Ltd.
- ❖ Rishikesh Apparels Private Ltd.
- ❖ All Colour Garments Private Ltd.
- ❖ Vignesh Apparels Private Ltd.
- ❖ Glamourwear Apparels Private Ltd.
- ❖ Seven Hills Clothing Private Ltd.
- ❖ Rajdin Apparels Private Ltd.

- ❖ SNS Clothing Private Ltd.
- ❖ Robot Systems Private Ltd.
- ❖ Gokaldas Exports Apparel & Textile Park Private Ltd.
- ❖ DMR Enterprises (Partner)
- ❖ AMS Industrial Estate (Partner)

Shri Rajendra J Hinduja

- ❖ Apparel Export Promotional Council, Delhi
- ❖ Federation of Karnataka Chambers of Commerce & Industry
- ❖ Aviation Travels Private Ltd.
- ❖ Parichay Investments Ltd.
- ❖ Vag Exports Private Ltd.
- ❖ JVN Exports Private Ltd.
- ❖ Poly Products Private Ltd.
- ❖ RappleTrading Private Ltd.
- ❖ Rafter Trading Private Ltd.
- ❖ Reflexion Trading Private Ltd.
- ❖ Madhin Trading Private Ltd.
- ❖ Magenta Trading Private Ltd.
- ❖ DeeJay Trading Private Ltd.
- ❖ Dazzle Trading Private Ltd.
- ❖ Rishikesh Apparels Private Ltd.
- ❖ All Colour Garments Private Ltd.
- ❖ Vignesh Apparels Private Ltd.
- ❖ Glamourwear Apparels Private Ltd.
- ❖ Seven Hills Clothing Private Ltd.
- ❖ Rajdin Apparels Private Ltd.
- ❖ SNS Clothing Private Ltd.
- ❖ Robot Systems Private Ltd.
- ❖ Gokaldas Exports Apparel & Textile Park Private Ltd.
- ❖ DMR Enterprises (Partner)
- ❖ AMS Industrial Estate (Partner)

Shri Dinesh J Hinduja

- ❖ Parichay Investments Ltd.
- ❖ Vag Exports Private Ltd.
- ❖ JVN Exports Private Ltd.
- ❖ Poly Products Private Ltd.
- ❖ Dice Trading Private Ltd.
- ❖ Rafter Trading Private Ltd.
- ❖ Reflexion Trading Private Ltd.
- ❖ Madhin Trading Private Ltd.
- ❖ Magenta Trading Private Ltd.
- ❖ DeeJay Trading Private Ltd.
- ❖ Dazzle Trading Private Ltd.
- ❖ Rishikesh Apparels Private Ltd.
- ❖ All Colour Garments Private Ltd.
- ❖ Vignesh Apparels Private Ltd.
- ❖ Glamourwear Apparels Private Ltd.

- ❖ Seven Hills Clothing Private Ltd.
- ❖ Rajdin Apparels Private Ltd.
- ❖ SNS Clothing Private Ltd.
- ❖ Robot Systems Private Ltd.
- ❖ Gokaldas Exports Apparel & Textile Park Private Ltd.
- ❖ DMR Enterprises (Partner)
- ❖ AMS Industrial Estate (Partner)

Shri Pradip P Shah

- ❖ AMP IndAsia Fund Advisors (Mauritius) Ltd. (Mauritius)
- ❖ Asset Reconstruction Company (India) Ltd.
- ❖ BASF India Ltd.
- ❖ Godrej & Boyce Mfg Ltd.
- ❖ Grindwell Norton Ltd.
- ❖ Hardy Oil & Gas Ltd. (UK)
- ❖ IndAsia Fund Advisors Private Ltd.
- ❖ Kansai Nerolac Paints Ltd.
- ❖ Panasonic Battery India Company Ltd.
- ❖ Pfizer Ltd.
- ❖ Patni Computers Systems Ltd.
- ❖ Shah Foods Ltd.
- ❖ Sonata Software Ltd.
- ❖ Supra Advisors (BV) Ltd. (British Virgin Islands)
- ❖ Taib Bank EC (Bahrain)
- ❖ Vakrangee Software Ltd.
- ❖ Wartsila India Ltd.

Shri KP Kumar

- ❖ The Karur Vysya Bank Ltd

Shri H S Nagaraj

- ❖ Aviation Travels Private Ltd.
- ❖ Swiss World Cargo India Private Ltd.
- ❖ Airline Marketing Services Private Ltd.

* Includes Private Companies and Foreign Companies

Audit Committee

The Company has set up an Audit Committee in 2005 with three independent directors viz. Shri Pradip P Shah as Chairman and Shri K P Kumar and Shri H S Nagaraj as members. The Committee has met four times during the year ended March 31, 2007 and the scope of activities of the Committee is in compliance with the revised clause 49 of the Listing Agreement with the Stock Exchanges.

The Powers and role of the Audit Committee is set out as part of the Report on Corporate Governance.

Auditors

M/s RSM & Co., Chartered Accountants and M/s Girish Murthy & Kumar, Chartered Accountants appointed by the Shareholders in the last Annual General Meeting held on August 17, 2006, as Joint Auditors, will retire at the forthcoming Annual General Meeting and, being eligible offer themselves for re-appointment.

Directors' Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- a) In the preparation of annual accounts the applicable accounting standards have been followed by the Company.

- b) Appropriate accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable so as to give a true and fair view of the state of affairs of the Company as at March 31, 2007 and of the Profit of the Company for the year ended on that date.
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) The annual accounts have been prepared on a "going concern" basis.

Conservation of Energy, Research & Development, Technology Absorption, Foreign Exchange Earnings and Outgo

In pursuance of the provisions of section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is given below

A. Conservation of Energy

The operations of the Company are not energy intensive. However, wherever possible the Company strives to curtail the consumption of energy on continued basis.

B. Technology absorption, adaptations and innovation

Not Applicable

C. Foreign Exchange Earnings and Outgo

Foreign Exchange earned : Rs. 99,679.52 lakhs

Out go : Rs. 36,899.38 lakhs

Particulars of Employees

Information as per section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, as per provisions of section 219(1)(b)(iv) of the Companies Act, 1956, this Report and accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees under section 217 (2A) of the Companies Act 1956. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary of the Company and same will be sent by post.

Acknowledgements

You Directors thank the Company's business associates/customers, vendors and bankers for their continued support. Your Directors place on record their appreciation for the significant contribution made by the employees, who have been instrumental in enabling your company to achieve good progress during the year.

Bangalore
May 24, 2007

For and on behalf of the Board of Directors

Madanlal J Hinduja
Chairman & Managing Director

CORPORATE GOVERNANCE REPORT

In compliance with the Corporate Governance requirements as per the format prescribed by the Securities Exchange Board of India and incorporated in Clause 49 of the Listing Agreements with the Stock Exchanges, the company's policies on Corporate Governance and compliance thereof, for the year ended March 31, 2007 are enumerated below for information of the shareholders and investors of the company.

(A) Corporate Governance Philosophy

Your Company stands committed to good Corporate Governance – transparency, accountability, disclosure and independent supervision to increase the value to the stakeholders. The Company is committed to transparency in all its dealings with shareholders, employees, the Government and other parties and places high emphasis on business ethics. The basic philosophy of Corporate Governance in the Company is to achieve business excellence and increasing long-term shareholder value, keeping in view the interests of the company's stakeholders.

(B) Board of Directors

The Composition of the Board of Directors of the Company is governed by the provisions of the Companies Act, 1956, the Articles of Association of the Company and clause 49 of Listing Agreement with the Stock Exchanges. The Board has a current strength of six directors with a combination of executive and non-executive directors. Shri Madanlal J Hinduja is Executive Chairman of the Company and Shri Pradip P Shah, Shri K P Kumar and Shri H S Nagaraj are non-executive Independent directors, who constitute 50% of the Board's composition.

The Directors of the Company are eminent personalities with varied knowledge and experience in manufacturing, marketing, finance, banking, legal, management and commercial administration. The Board meets as often as required being not less than 4 times in a year with a maximum gap not exceeding 4 months between any two meetings.

(i) Composition of the Board of Directors:

Sl. No.	Name of Director	Executive/ Non-Executive	No. of other Directorships*	Committee* Memberships	Committee* Chairmanships
1)	Shri Madanlal J Hinduja Chairman & Managing Director	Promoter / Executive	20	1	Nil
2)	Shri Rajendra J Hinduja Executive Director – Finance & Administration	Promoter/ Executive	23	1	Nil
3)	Shri Dinesh J Hinduja Executive Director – Production & Marketing	Promoter/ Executive	20	1	Nil
4)	Shri H.S. Nagaraj	Non-Executive & Independent	3	2	Nil
5)	Shri K.P. Kumar	Non-Executive & Independent	1	2	1
6)	Shri Pradip P Shah	Non-Executive & Independent	17	9	1

* includes private limited, foreign and Section 25 companies.

None of the non-executive independent Directors have any pecuniary relationship or transactions with Company or its Group nor hold any shares in the Company.

(ii) (a) Board Meetings

The Board meets at least once a quarter and five meetings were held during the financial year 2006-07 on May 25, 2006, July 25, 2006, October 28, 2006, January 29, 2007 and March 24, 2007.

CORPORATE GOVERNANCE REPORT

The attendance of each Director at these meetings and at the last Annual General Meeting was as follows:

Sl. No.	Name of Director	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
1)	Shri Madanlal J Hinduja Chairman & Managing Director	5	5	Present
2)	Shri Rajendra J Hinduja Executive Director – Finance & Administration	5	5	Present
3)	Shri Dinesh J Hinduja Executive Director – Production & Marketing	5	4	Present
4)	Shri Pradip P Shah	5	2	Present
5)	Shri H.S. Nagaraj	5	5	Present
6)	Shri K.P. Kumar	5	4	Present

(b) Availability of Information to the Members of the Board

The Board has complete access to any information within the Company and to any of our employees. At meetings of the Board, it invites the Statutory Auditors, Internal Auditors and managers who can provide additional insights into the items being discussed. The information supplied to the Board meetings include:

- ❖ Minutes of Audit and shareholders grievances redressal committees, as well as abstracts of circular resolutions passed.
- ❖ General Notice of interest of directors
- ❖ Annual / quarterly budgets, capital budgets and updates
- ❖ Quarterly / half yearly / annual financial results
- ❖ Dividend data
- ❖ Materially important litigations, show cause notices, demand, prosecution and penalty notices
- ❖ Details of any joint venture, acquisitions of companies or collaboration agreements
- ❖ Utilization of IPO proceeds
- ❖ Details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement
- ❖ Non compliance of any regulatory, statutory or listing requirements as well as shareholder services such as non payment of dividend or delays
- ❖ Information on recruitment of senior officers just below the Board level including appointment or removal of General Managers and Company Secretary

(c) Materially significant related party transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between us and our directors, management, subsidiaries or relatives of directors except for those disclosed in the financial statements for the year ended March 31, 2007.

(d) Annual disclosure of directors' interest as required under section 299 of the Companies Act 1956

Directors have furnished Notice of Disclosure of interest as required under section 299(1) of the Companies Act, 1956 for the year 2007-08. Any changes in their directorships / interest during the year would be disclosed to the Board as when such change are intimated to the Company. The Company maintains Register of Contracts, Companies and Firms in which Directors are interested as provided under section 301(1) of the Companies Act, 1956.

(C) Board Committees

Presently, the Board has two committees: the Audit Committee and the Shareholders Grievances Redressal Committee. The Audit Committee consists of entirely of independent directors whereas Shareholders Grievances Redressal Committee consists of three executive directors and two non-executive independent directors. Normally, the Audit Committees meet four times in a year, once in each quarter and Shareholders Grievances Redressal Committee meet twice in a year. The minutes of these committees' meetings are submitted to the Board for approval/confirmation.

(i) Audit Committee

The Audit Committee comprises solely of 3 independent directors, namely:

Shri Pradip P Shah

Shri H.S. Nagaraj

Shri K.P. Kumar

Shri Pradip P Shah is the Chairman of the Audit Committee. The Executive Director – Finance, the Statutory Auditors and the Internal Auditors are invitees to the meetings. The Company Secretary is the Secretary to the Audit Committee. Shri Pradip P Shah, Chairman of the Audit Committee attended the last Annual General Meeting held on August 17, 2006.

The primary objective of the Audit Committee is to monitor and provide supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting. The Committee oversees the work carried out in the financial reporting process by the management, the Internal Auditors and the Statutory Auditors and notes the process and safeguards employed by them.

The principal functions of the committee are:

- ❖ Oversight (supervision, direction and control) of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ❖ Discussion with the Auditors periodically about the internal control systems and the scope of audit including observations of the Auditors.
- ❖ Review of the half-yearly and annual financial statements before submission to the Board focusing primarily on:
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - Qualifications in draft report.
 - Significant adjustments arising out of audit.
 - Going concern assumption.
 - Compliance with accounting standards.
 - Compliance with Stock Exchange and legal requirements concerning financial statements.
 - Any related party transactions, transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of company at large.
- ❖ Ensure compliance of internal control systems.
- ❖ Investigation into any of the afore-stated matters or as may be referred to by the Board.
- ❖ Review of the Auditors' Report on the Financial Statements and to seek clarifications thereon, if required, from the Auditors.
- ❖ Review of weaknesses in Internal Controls, if any and make recommendations relating thereto to the Board so as to ensure compliance of internal control systems.
- ❖ To act as a link between the Statutory and the Internal Auditors and the Board of Directors.
- ❖ Any other matter which the Board of Directors may at its discretion assign to the Committee from time to time.

CORPORATE GOVERNANCE REPORT

Audit Committee attendance:

Four Audit Committee meetings were held during the financial year 2006-07. These were held on May 25, 2006, July 25, 2006, October 28, 2006 and January 29, 2007.

Name	No. of Meetings Held	Attended
Shri Pradip P Shah	4	2
Shri K P Kumar	4	3
Shri H S Nagaraj	4	4

(ii) Shareholders Grievances Redressal Committee:

The Shareholders Grievances Redressal Committee is headed by an independent director and consists of the following directors:

Sl No.	Name of Director	Designation
1.	Shri K.P. Kumar	Chairman
2.	Shri H.S. Nagaraj	Member
3.	Shri Madanlal J Hinduja	Member
4.	Shri Rajendra J Hinduja	Member
5.	Shri Dinesh J Hinduja	Member

Shri. K B Shyam Kumar, Company Secretary is the Compliance Officer for the Company.

The Committee has the mandate to review and redress the shareholder grievances viz. non-receipt of refund orders, transfer and transmission of shares, non-receipt of annual reports, non-receipt of declared dividends etc.

Two Shareholders' Grievances Redressal Committee meetings were held during the financial year 2006-07 on July 25, 2006 and January 29, 2007.

Name	No. of Meetings Held	Attended
Shri K P Kumar	2	2
Shri H S Nagaraj	2	2
Shri Madanlal J Hinduja	2	2
Shri Rajendra J Hinduja	2	2
Shri Dinesh J Hinduja	2	1

The following table shows the nature of complaints / correspondence received from the shareholders / investors during the financial year 2006-07 all of which have been resolved and at the end of year, there were no complaints pending unresolved/ unattended as on March 31, 2007:

Nature of Complaint/correspondence	Received	Resolved	Pending
Non-receipt of dividend warrants	5	5	0
Non-receipt of Annual Report	3	3	0
Non-receipt of refund orders	8	8	0
Non-credit of securities/electronic credit of shares	8	8	0
TOTAL	24	24	0

CORPORATE GOVERNANCE REPORT

(D) Annual General Meetings

Location, time and date where last three Annual General Meetings of the company were held are given below:

Financial Year	Venue / Location	Day and date	Time
2003-04	Registered office: No.70, Mission Road Bangalore - 560027	Saturday, July 31, 2004	12.00 Noon
2004-05	Hotel Grand Ashok Kumarakrupa Road, High Grounds Bangalore - 560001	Wednesday, August 10, 2005	10.30 AM
2005-06	Hotel Grand Ashok Kumarakrupa Road, High Grounds Bangalore - 560001	Thursday, August 17, 2006	10.30 AM

The following special resolutions were passed by the members during the above Annual General Meetings:

Annual General Meeting held on July 31, 2004:

- ❖ No special resolutions were passed

Annual General Meeting held on August 10, 2005:

- ❖ Payment of remuneration to Shri Madanlal J Hinduja, Chairman & Managing Director
- ❖ Payment of remuneration to Shri Rajendra J Hinduja, Executive Director – Finance & Administration
- ❖ Payment of remuneration to Shri Dinesh J Hinduja, Executive Director- Production & Marketing
- ❖ Amendment of articles by addition / substitution of new articles
- ❖ Keeping the Register of Members, Index of Members, returns and copies of certificates and documents in the office of Karvy Computershare Private Limited, the Company's Registrars & Share Transfer Agents.

Annual General Meeting held on August 17, 2006:

- ❖ Increase of borrowing powers to the Board
- ❖ Appointment of Shri. Gaurav D Hinduja as Chief Operating Officer - Marketing of the company

(E) Postal Ballots

For the year ended March 31, 2007, there are no ordinary or special resolutions that need to be passed by our shareholders through a postal ballot.

(F) Auditors' Certificate of Corporate Governance

As required under clause 49 of the Listing Agreement, the Auditors' certificate is given as an annexure to the Directors' Report.

(G) CEO/CFO Certification

As required by clause 49 of the Listing Agreement, the certificate issued by the Chairman & Managing Director is provided elsewhere in the Annual Report.

(H) Disclosures

(i) Disclosures on materially significant related party transactions

The related party transactions during the year ended March 31, 2007 have been listed in the notes to the accounts. Shareholders may please refer the same.

CORPORATE GOVERNANCE REPORT

(ii) Details of non-compliance by the Company, penalties and strictures imposed on the Company by the Stock Exchanges, SEBI or any statutory authorities or any member related to capital markets

There has been no non-compliance of any legal requirements nor have there been any strictures imposed by any stock exchange or SEBI or RoC etc., on any matters relating to the capital market since the date of listing of shares on the stock exchanges.

(I) Means of Communication

The annual audited financial results, the quarterly / half yearly unaudited financial results are generally published in **The Economic Times, Business Line and Samyukta Karnataka** (a regional daily published from Bangalore). These results will also be posted on the Company's website at www.gokaldasexports.com.

Other information like shareholding pattern (quarterly), Corporate Governance Report, Memorandum and Articles of Association of the Company (with amendments thereof), Annual Reports etc., are also posted on our website as soon as they are released / published.

(J) Investor Grievances and Share Transfer

The Company has a Board level investor grievances committee to examine and redress shareholders' and investors' complaints. The status on complaints and share transfers is reported to the Board. For matters like dividends, change of address, refunds, demat, remat of shares etc., the shareholders/investors should communicate with Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the company. Their address is given in the section on *General Shareholders' Information*.

(K) Disclosure regarding appointment / reappointment of directors

According to the Articles of Association, one third of the directors retire by rotation and, if eligible, offer themselves for re-appointment at the Annual General Meeting of shareholders. Shri Pradip P Shah and Shri K P Kumar will retire at the ensuing Annual General Meeting. The Board has recommended the re-appointment of all the retiring directors.

The detailed resumes of the above two retiring directors are provided in the section on *General Shareholders' Information*.

(L) Management Discussion & Analysis

The Management Discussion & Analysis is given separately in the Annual Report.

(M) Compliance with Non-mandatory requirements of clause 49 of the Listing Agreement

Clause 49 of the Listing Agreement requires the Company to obtain a certificate from either the Auditors or Practicing Company Secretary regarding compliance of conditions of Corporate Governance as stipulated in the Clause and attach the certificate with the Directors' Report. We have obtained a certificate to this effect and the same is given in this Annual Report.

The Clause further states that the non-mandatory requirements may be implemented as per the Company's discretion. However, the disclosure of compliance of mandatory requirements and non-compliance of non-mandatory requirements shall be made in the section on *Corporate Governance* in the Annual Report. We comply with the following non-mandatory requirements of Corporate Governance:

(i) The Board

The clause states that independent directors may have a tenure not exceeding , in the aggregate, a period of nine years, on the Board.

None of the Independent directors on our Board have served for a tenure exceeding nine years from the date of their induction / new clause 49 became effective.

(ii) Shareholders Rights

The Clause states that a half yearly declaration of financial performance including summary of significant events in the last six months, may be sent to each shareholders.

The Company communicates with investors through email, video/ audio conference etc., atleast once in a quarter after our audited / un-audited results are announced / published. We also post the financial results, performance review etc., on our website www.gokaldasexports.com, the fact of which is communicated through emails to the investors.

General Shareholders' Information

(i) Annual General Meeting

Day, date and time : Friday, August 17, 2007 at 10.30 AM

Venue : Grand Ball Room, Hotel Grand Ashok
Kumara Krupa Road, High Grounds
Bangalore - 560 001.

Agenda:

- 1) Adoption of Audited Accounts, Directors' & Auditors' Report thereon for the year ended March 31, 2007.
- 2) Declaration of Dividend
- 3) Re-appointment of Shri Pradip P Shah and Shri K P Kumar, Directors
- 4) Re-appointment of M/s. Price waterhouse, Chartered Accountants and M/s. Girish, Murthy & Kumar, Chartered Accountants as Joint Statutory Auditors
- 5) Re-appointment of Shri Vivek M Hinduja as Chief Operating Officer (COO) - Marketing
- 6) Re-appointment of Shri Ashwin R Hinduja as Chief Operating Officer (COO) - Production

(ii) The profile of Directors seeking re-appointment

(a) Shri Pradip P Shah

Shri Pradip P Shah holds an MBA from Harvard Business School and Bachelor degree from Sydenham College, Bombay, apart from holding Cost Accountant and Chartered Accountant degrees.

He is a Director of Asset Reconstruction Company (India) Limited, BASF India Limited, Godrej & Boyce Mfg. Limited, Pfizer Limited, TAIB Bank E.C (Bahrain), Wartsila India Limited amongst other companies.

He is currently the Chairman of Indasia Fund Advisors Private Limited, Mumbai.

(b) Shri K P Kumar

Shri Kumar is a law graduate with more than 30 years of experience. He served as Partner, Senior Partner and Senior Advocate in King & Partridge, Advocates. Currently, he is the Advisor for King & Partridge.

(iii) Financial Calendar

Indicative calendar of events for the financial year 2007-08 excluding Extraordinary General Meetings, if any, is as under:

First Quarter Financial Results (June 2007)	July, 2007
Annual General Meeting	August 17, 2007
Second Quarter Financial Results (September 2007)	October, 2007
Third Quarter Financial Results (December 2007)	January 2008
Fourth Quarter / Audited Financial Results (March 2008)	May/June 2008

(iv) Book Closure

The Company's Register of Members and Share Transfer Books will remain closed for the purpose of dividend from August 10, 2007 to August 16, 2007 (both days inclusive).

(v) Dividend payout date

- During 2nd week of September, 2007

CORPORATE GOVERNANCE REPORT

(vi) Listing on Stock Exchanges

The Company's equity shares are listed at the following Stock Exchanges located at :	Addresses of the Stock Exchanges
Bombay Stock Exchange Limited (BSE)	Bombay Stock Exchange Ltd Phiroze Jeejeebhoy Towers Dalal Street MUMBAI - 400 001, Maharashtra Phones : 91- 22 – 22721233 / 22721234 Fax : 91- 22 – 22723677 / 22722082
National Stock Exchange of India Limited (NSE)	National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex Bandra (E) MUMBAI – 400 051, Maharashtra Phones : 91 – 22 – 26538100 / 56418100 Fax : 91 – 22 – 26598237 / 38, 26598120
The Stock Code of the Company is	BSE – 532630 NSE – GOKEX
The ISIN No for the Company's Equity Shares in Demat form	INE 887G01027
Depository Connectivity	NSDL and CDSL

(vii) Listing Fee

Paid to all the above exchanges for the year 2007-08

(viii) Registered Office

No. 70, Mission Road, Bangalore – 560027
Karnataka, India
Phones: 91 – 80 – 22223600 / 1 / 2 / 41272200
Fax: 91 – 80 – 22274869 / 22277497
Email: gokex@vsnl.com
investorcare@gokaldasexports.com

(ix) Corporate Identification Number

L18101KA2004PLC033475

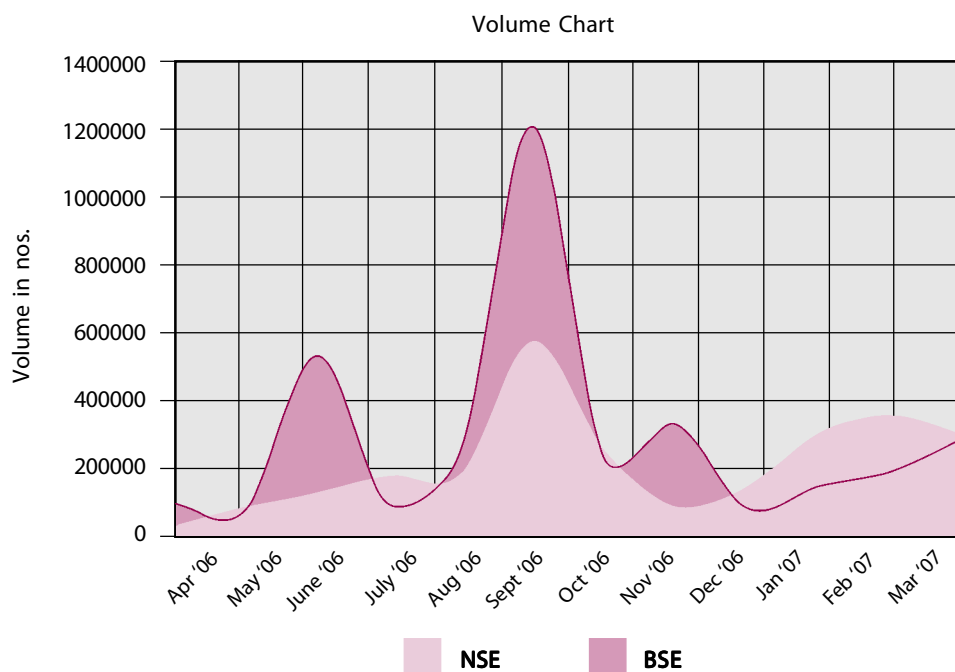
CORPORATE GOVERNANCE REPORT

(x) Stock Market Data

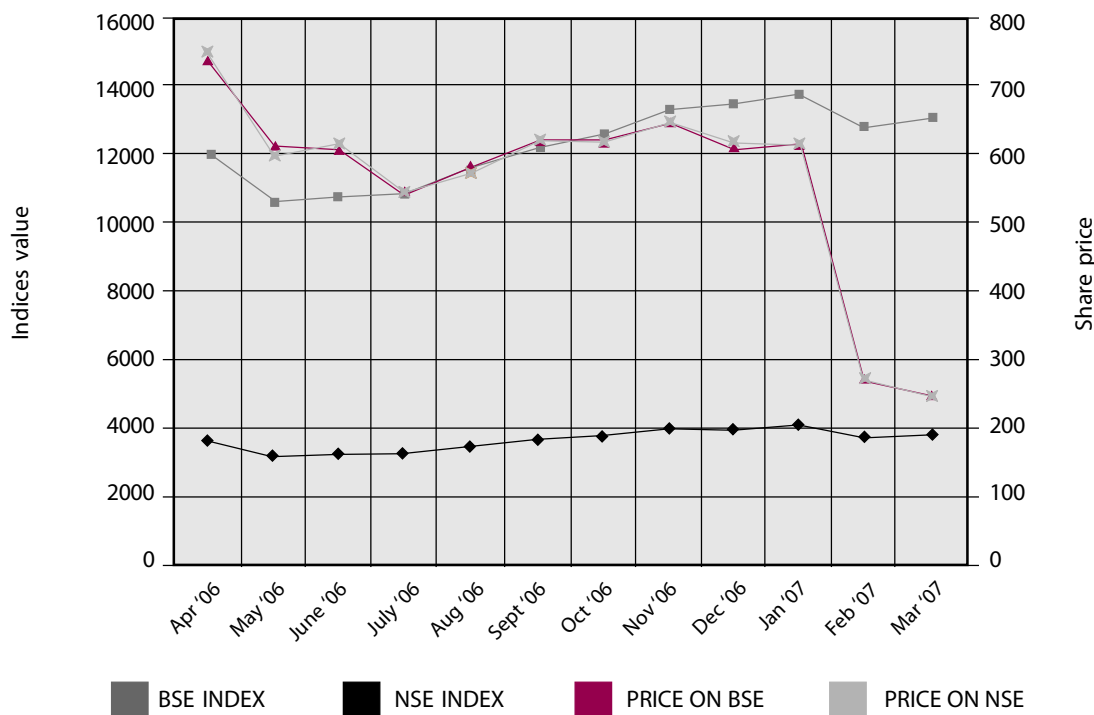
(a) Monthly high and low quotations along with volume of shares traded at BSE and NSE for 2006-07 are:

Month	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
April 2006	794	649	91322	815	677	34663
May 2006	770	510	71326	780	574	86634
June 2006	635	452	529278	650	500	127044
July 2006	605	498	89295	617	510	173006
August 2006	644	546	242801	624	560	181732
September 2006	717	585	1206414	719	623	552440
October 2006	684	582	225442	684	615	242735
November 2006	660	585	327076	659	594	87143
December 2006	669	562	75911	660	594	144889
January 2007	660	585	141628	649	605	295170
February 2007	675	240	186060	665	250	342590
March 2007	273	227	282994	280	231	290087
Total			3469547			2558133

(b) Graphical representation of volume of shares traded during April 2006 – March 2007



(c) Comparison of broad based indices with share price of Gokaldas Exports Limited



(d) Market Capitalization

The market capitalization of the company as on March 31, 2007 is Rs.79356.99 lakhs on Bombay Stock Exchange Limited (BSE) and Rs.79460.12 lakhs on National Stock Exchange of India Limited (NSE).

(xi) Shareholding Pattern

Equity Shares of Rs. 5/- each as on 30.04.2007 & Rs. 10/- each as on 30.04.2006

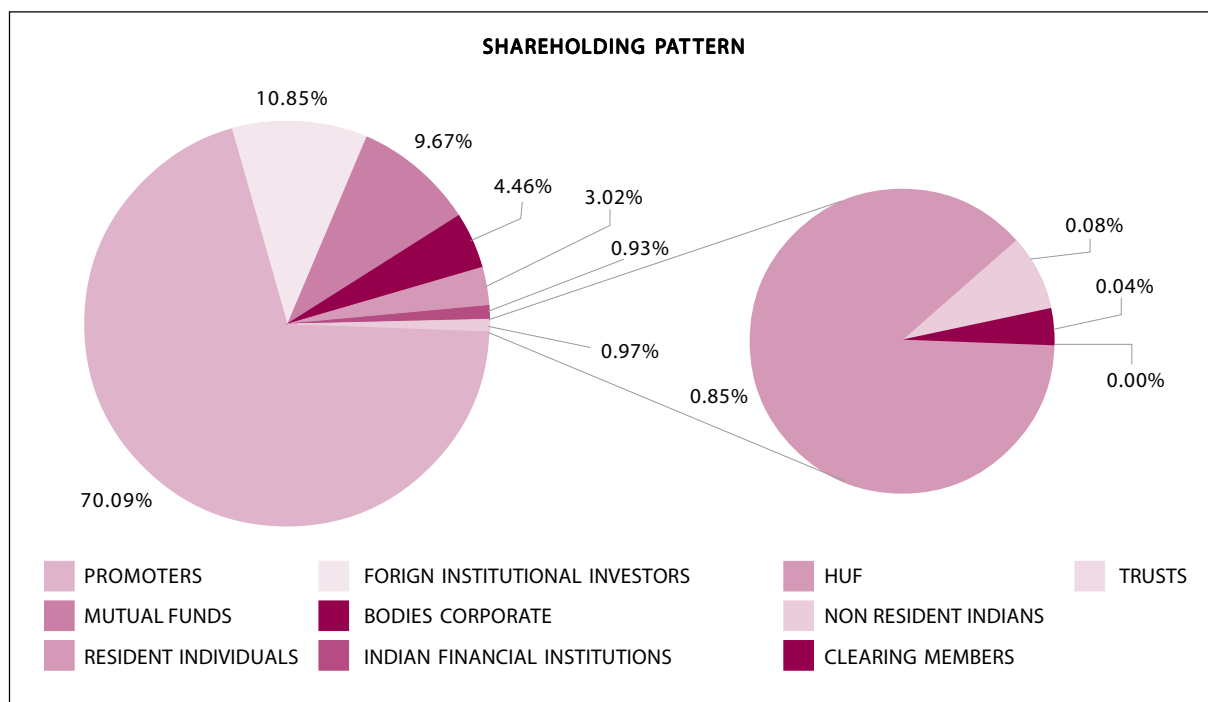
Shareholders	No. of Shares	As on 30.04.2007		As on 30.04.2006	
		%	No. of Shares	%	
Promoters	24096440	70.10	13218000	76.90	
Resident Individuals	1038528	3.02	497459	2.89	
Mutual Funds	3324791	9.67	1311317	7.63	
Bodies Corporate	1531591	4.46	981201	5.71	
Foreign Institutional Investors	3730495	10.85	971437	5.65	
Indian Financial Institutions	320800	0.93	-	-	
HUF	293275	0.85	192606	1.12	
Non resident Indians	26748	0.08	8901	0.05	
Clearing Members	12958	0.04	7034	0.05	
Trusts	374	0.00	45	0.00	
Total	34376000	100.00	17188000	100.00	

CORPORATE GOVERNANCE REPORT

Names of shareholders holding more than 1% with number of shares as on April 30, 2007

Sl. No	Name	Shareholding	% of shareholding
1.	Dinesh J Hinduja	6469580	18.82
2.	Madanlal J Hinduja	3950600	11.49
3.	Rajendra J Hinduja	3867580	11.25
4.	Ashwin R Hinduja	3863560	11.24
5.	Vivek M Hinduja	3783560	11.01
6.	FID Funds (Mauritius) Ltd.	1925788	5.60
7.	Gaurav D Hinduja	1056000	3.07
8.	ICICI Prudential Life Insurance Co. Ltd	1031610	3.00
9.	Mirae Asset Investment Trustee Mgt., Co., Ltd.	902726	2.63
10.	Prudential ICICI Trust Limited	740004	2.15
11.	Prudential ICICI Trust Limited – Emerging Star	573310	1.67
12.	Nalini D Hinduja	405560	1.18

Shareholding pattern – Graphical representation



CORPORATE GOVERNANCE REPORT

(xii) Distribution of Shareholding:

Category (Amount)	As on 30.04.2007			As on 30.04.2006		
	No. of shareholders	% of shareholders	No. of shares	No. of shareholders	% of shareholders	No. of shares
1 - 5000	15355	98.94	922721	13454	98.95	319848
5001 – 10,000	78	0.50	111751	53	0.39	40457
10,001 – 20,000	24	0.15	70703	20	0.15	28674
20,001 – 30,000	11	0.07	59033	8	0.06	2081
30,001 – 40,000	0	0.00	0	1	0.01	3550
40,001 – 50,000	3	0.02	28738	4	0.03	19630
50,001 – 1,00,000	2	0.01	29724	7	0.05	50563
1,00,001 – and above	46	0.30	33153330	50	0.37	16704477
TOTAL	15519	100.00	34376000	13597	100.00	17188000

(xiii) Share Transfer Process

The Company's shares being in compulsory demat form are transferable through the depository system. The shares in physical form are processed by the Registrar and Transfer Agents and approved by the Shareholders' Grievances Redressal Committee. Share transfer process is reviewed by the Board on a periodical basis.

(xiv) Dematerialization of Shares

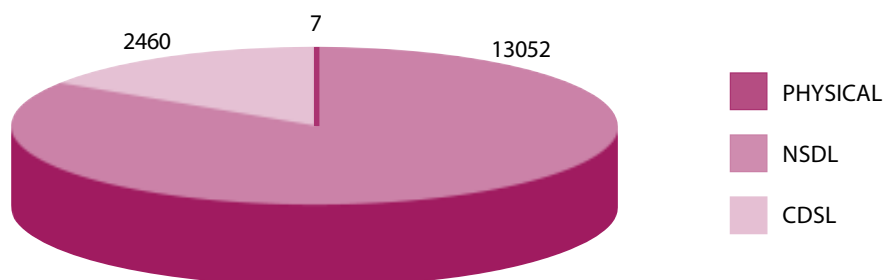
The equity shares of the company are available under dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Trading of the Company's shares for all investors is compulsorily carried out in Dematerialized form.

Shares dematerialized as on April 30, 2007 are:

No. of Shares	% of shares	No. of shareholders	% of shareholders
34375900	99.99	15512	99.96

(xv) Consolidated Shareholding Pattern as on 30th April 2007:

S. No.	Category	No. of Shareholders	Total Shares	% to Equity
1.	Physical	7	100	0.00
2.	NSDL	13,052	3,41,49,091	99.34
3.	CDSL	2,460	2,26,809	0.66
	TOTAL	15,519	3,43,76,000	100.00



(xvi) Unclaimed dividend

The dividend for the year 2004-05 & 2005-06, which remain unclaimed by the shareholders, are requested to claim immediately or contact the Company. The unclaimed dividend, which remain unclaimed for seven years will be transferred to Investor Education and Protection Fund established by the Central Government under section 205C of the Companies Act, 1956.

(xvii) ECS Mandate

To service the Investors better, the Company requests all shareholders who hold shares in dematerialized form to update their bank particulars with their respective depositories immediately. Shareholders holding shares in the physical form may kindly forward the bank particulars to our Registrar to the address mentioned below:

(xviii) The Company and Registrar and Transfer Agent's Address for Correspondence

Company:

For all shares / dividend related queries:

Company Secretary
Gokaldas Exports Limited
No.70, Mission Road
Bangalore – 560027
Phones: 91-80-22223600 / 1 / 2 / 41272200
Fax : 91-80- 22274869 / 22277497
Email: shyamkumar@gokaldasexports.com; investorcare@gokaldasexports.com
Website: www.gokaldasexports.com

For queries relating financials:

General Manager – Finance
Gokaldas Exports Limited
No.70, Mission Road
Bangalore – 560027
Phones: 91-80-22223600 / 1 / 2 / 41272200
Fax : 91-80- 22274869 / 22277497
Email: snr@gokaldasexports.com
Website: www.gokaldasexports.com

Registrar and Transfer Agent:

Karvy Computershare Private Limited
(Unit : Gokaldas Exports Limited)
"Karvy House", 46, Avenue 4
Street No. 1, Banjara Hills
Hyderabad - 500 034
Phones: 91-40-23312454 / 23320751 / 752
Fax : 91-40-23311968
E mail: sreedharamurthy@karvy.com

CEO'S CERTIFICATION

The Board of Gokaldas Exports Limited has laid down a code of conduct for all the Board members and the senior management. The Code of Conduct has been posted in Uniform Resource Locator (URL) namely, www.gokaldasexports.com. All the Board members and the Senior Management personnel have affirmed compliance of the Code.

Place : Bangalore
Date: May 24, 2007

Madanlal J Hinduja
Chairman & Managing Director

CORPORATE GOVERNANCE REPORT

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of
Gokaldas Exports Limited

We have examined the compliance of conditions of Corporate Governance by Gokaldas Exports Limited ("the Company"), for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investors' Grievances Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for RSM & Co
Chartered Accountants

(Vilas Y. Rane)
Partner
Membership No. F - 33220

Bangalore: May 24, 2007

for Girish Murthy & Kumar
Chartered Accountants

(A V Satish Kumar)
Partner
Membership No. F - 26526

Bangalore: May 24, 2007

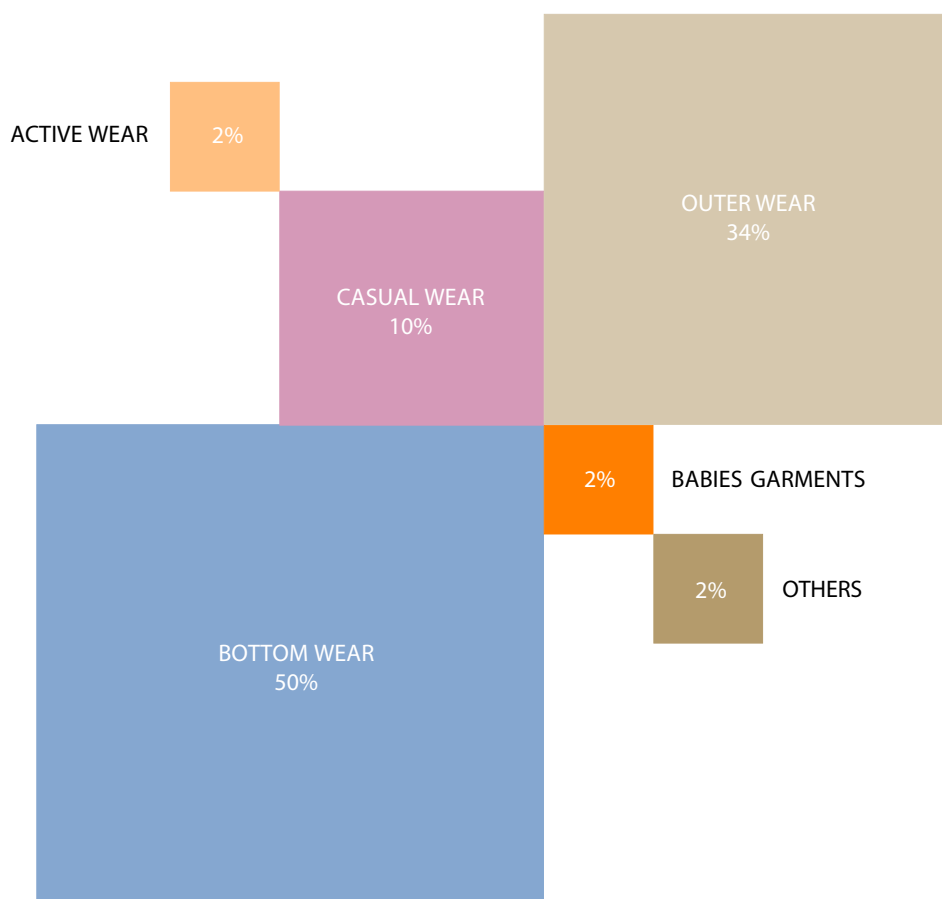
MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

Gokaldas Exports Limited (GEL) is the largest and one of the leading exporters of apparels in India having worldwide presence with established manufacturing, marketing and research capabilities and is a ISO 9001:2002 certified company. GEL is vertically integrated with a presence across the apparel and textile products. GEL has more than 46 factories spreading in 45 locations in Bangalore and Chennai, manufacturing more than 2.5 million garments per month.

The principal products that GEL produces are outer wear and bottom wear. Outerwear includes both sports wear and winter wear and bottom wear include casual pants, chinos, linen trousers, denim jeans etc. The following pie graph depicts the product mix for the year 2006-07:

Graphical representation of product mix



More than 95% of revenues come from export activity. GEL has big plans to enhance the production capacity to 3 million garments per month by the end of current fiscal. Towards this objective, we are investing more than Rs. 1000 million in the next two years, which would make us to further consolidate lead in the apparel and textile industry.

Industry Structure and Developments

The Textile and Clothing Sector has witnessed unprecedented investment trend in the last few years, so much so that for the last 5 years the CAGR of investment has been around 100%. It is more encouraging to see that weak sectors like processing have drawn significant investment in the last 2 years.

MANAGEMENT DISCUSSION AND ANALYSIS

The growth figures of the last few years have made the entire textile industry brim with unprecedented confidence and optimism. These growth targets envisaged a fundamental shift in the textile scenario and has taken a trajectory of a very rapid growth. There has been a boost in the Indian Domestic Textile Sector. The increasing GDP per capita has led to greater disposable income with the Indian people. There have been more working female population, leading to increasing purchases and a major portion of the purchases is among the textile and clothing items.

The growth penetration of organized retail (the percentage is expected to increase from the present 3% to 10% by 2010) will increase the availability and hence the purchase of textile and clothing by the Indian consumer.

In the export sector, removal of MFA has given a boost to the Indian textile entrepreneurs, a trend which has only been augmented by the progressive dismantling of spinning and weaving from the developed world. Added to this, the quota limitations to China till 2008 are another incentive to the Indian industry to strengthen itself in the meantime.

The Indian textile industry plays a vital role in the Indian economy by contributing to GDP, generating employment and earning foreign exchange. An estimated 38 million people are directly employed in the textile industry in India and contributes to 4% of GDP and 20% of total export earnings. India currently exports more than one hundred garment product categories and out of this, cotton apparel exports dominate, contributing nearly 76% by value and synthetic constitutes 12%. Indian textile exports are expected to grow from the current levels to US\$ 50 billion by 2010, consequent to quota removal, apparel being US\$25 billion.

Opportunities and Threats

After dismantling of quotas, India seems to benefit due to raw material, design skills and skilled labour advantages. India is the world's third largest producer of cotton, second largest producer of cotton yarn, third largest exporter of cotton fabric and fourth largest exporter of synthetic fabric. With the establishment of training institutions like National Institute of Fashion Technology (NIFT), many high quality designers, who are able to create modern designs and interact with the buyers, are emerging. This is a distinctive advantage that Indian companies have, and not yet exploited.

In spite of above advantages that India has, there would be pricing pressures in view of dismantling of quotas as new small and medium manufacturers would crop in not only within India but also from other countries where similar quotas were imposed earlier. Also India has geographical disadvantage which take little longer time to reach its products to the key markets. It seems the price has been, more or less, stabilized and the buyers are looking for quality manufactures, even it costs little more. Appreciation of Rupee is also a major concern for the growth of the industry.

Operating Results / Financial Highlights

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The management accepts the responsibility for the integrity and objectivity of these financial statements and the basis for the various estimates and judgments used in preparing the financial statements.

During the year, the Company has achieved a net turnover of Rs.99981.33 lakhs, out of which 99.70% is in the form of foreign exchange. The Company posted a strong top line performance due to good order book. Profit before tax was at Rs 7799.11 lakhs and net profit after tax stood at Rs.7028.27 lakhs.

The higher net profit is due to our most of sales are to the foreign buyers, which enjoys higher margins. During 2006-07, USA & Canada dominated with a share of 53% of total turnover and Europe stood in the second with 39%.

MANAGEMENT DISCUSSION AND ANALYSIS

Graphical representation of revenues from various geographical locations / countries:



Earnings per equity share (face value Rs.5/-) was also significantly higher from Rs. 17.88 to Rs. 20.45 on year on year basis.

Some of the key performance indications are given below:

	(Rs. in lakhs)	
Particulars	2007	2006
Gross revenue	103950.64	88881.59
Profit before tax (PBT)	7799.11	6794.04
Ratio of PBT to Gross revenue (%)	7.50%	7.64%
Profit After Tax (PAT)	7028.27	6088.35
Ratio of PAT to Gross revenue	6.76%	6.85%
Earnings Per Share (EPS) (Rs.)	20.45	17.88

MANAGEMENT DISCUSSION AND ANALYSIS

Risks and Concerns

We are exposed to foreign currency risk. The company is an export oriented apparel manufacturer and approx. 95% of its revenue comes as foreign currency. Since the buyers compare our products with that of competitors in USD denominated rate, appreciation of Indian rupee vis-à-vis USD would weaken our competitive position and similarly, our profits would depend on the Indian rupee appreciation/depreciation. Since the Company is Bangalore based and most of the factories/units are located in and around Bangalore, if there is any localized social unrest, break down of services and utilities, it may affect the business and consequently its revenues. To minimize the locational risks, the Company set up factories / units in Chennai, Mysore and Tumkur.

The Government of India has instituted several policies to promote the growth and these include interest rate subsidies, duty/tax reimbursement schemes etc. Withdrawal/ termination of any of these policies / schemes may adversely impact the profitability of the Company. Also wage costs in India have been significantly lower than the wage costs in the developed countries for skilled professionals in the textile industry, which has been our competitive strength. Wage increase in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins.

However, the Company has put in place a Risk Management Document which has the objective to create awareness about various risks associated with the business of the Company. It defines the risk policies, lays out the risk strategies and methodology to decide on the risk taking ability of the Company. The risk management process involves risk identification, risk measurement, risk prioritization, risk monitoring, risk escalation and risk mitigation. The Audit Committee and Board have approved this risk management document during last fiscal.

Internal Control Systems and their adequacy

The Company is committed to maintaining an effective system of internal control for facilitating accurate, reliable and speedy compilation of financial information, safeguarding the assets and interests of the Company and ensuring compliance with all laws and regulations. The Company has an internal control department to monitor, review and update internal controls on an ongoing basis. The Company has put in place a well defined organization structure, authority levels and internal guidelines for conducting business transactions.

The Company appointed Independent Internal Auditors, who would monitor and review all transactions independently to get higher level of efficiency and would report directly to the Audit Committee, which consists of entirely independent directors, on quarterly basis. The Internal Auditors conduct audit in all key business areas as per the pre-drawn audit plan. All significant audit observations and follow up actions are reported to the Audit Committee along Internal Audit reports and management's responses/replies. The minutes of Audit Committee would be reviewed by the Board for its suggestions/recommendations to further improve the internal control systems.

The Audit Committee periodically reviews audit plans, observations and recommendations of the Internal Auditors as well as external auditors with reference to significant risk areas and adequacy of internal controls.

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources / Industrial Relations

The Company believes that its people are a key differentiator, especially in knowledge driven, competitive and global business environment. Adapting work culture to suit the dynamic balancing of people requirements and employee needs is an ongoing process. Fundamental HR processes which enable higher performance orientation, speed, skill and competency development, talent management and human asset refreshal are corner stones for the success of any organization.

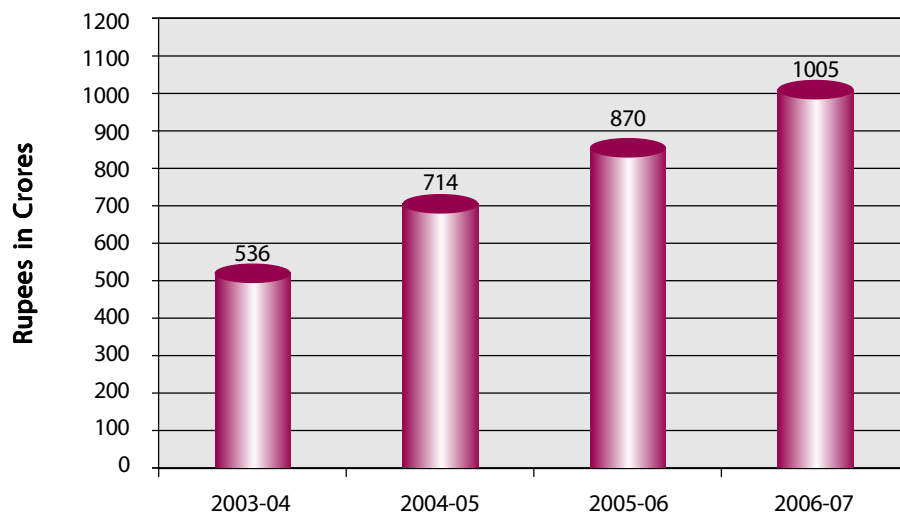
As in the past, the industrial relations continued to remain cordial at all factories / units of the Company. The Company has about 52,000 employees as on March 31, 2007 as against 42,979 employees as on March 31, 2006.

Caution Statement

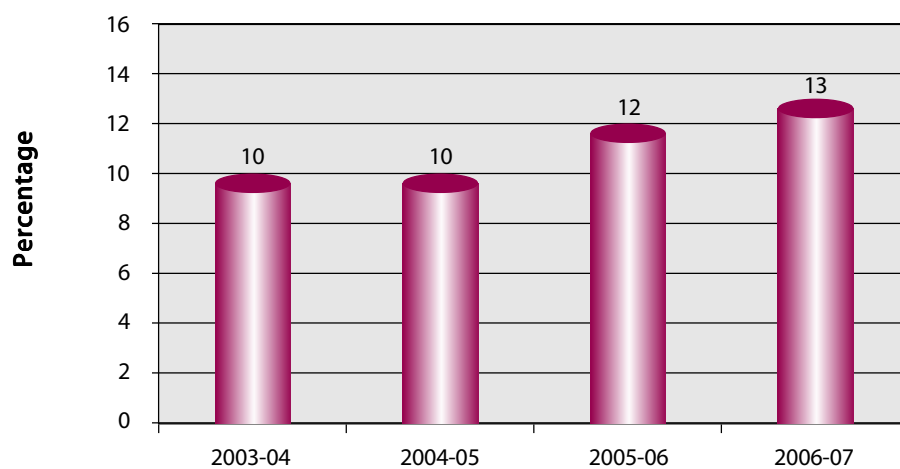
Investors are cautioned that this discussion contains statements that involve risks and uncertainties. Words like anticipate, believe, estimate, intend, will, expect and other similar expressions are intended to identify such forward looking statements. The Company assumes no responsibility to amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events. Besides, the Company cannot guarantee that these assumptions and expectations are accurate or will be realized and actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements.

FINANCIAL HIGHLIGHTS

SALES



EBIDTA





FINANCIAL STATEMENTS

For the year ended 31st March 2007
GOKALDAS EXPORTS LTD

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AUDITORS' REPORT

Auditors' Report to the members of Gokaldas Exports Limited

1. We have audited the attached Balance Sheet of **Gokaldas Exports Limited** ('the Company') as at March 31, 2007 and also the Profit and Loss account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto (all together referred to as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report)(Amendment) Order, 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c. the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Profit and Loss account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. on the basis of the written representations received by the Company from its directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director under clause (g) of Sub-section (1) of section 274 of the Companies Act, 1956;
 - f. in our opinion and to the best of our information and according to the explanations given to us, the said financial statements read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
 - ii. in the case of the Profit and Loss account, of the profit of the Company for the year ended on that date; and
 - iii. in case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For RSM & Co.
Chartered Accountants

Vilas Y. Rane
Partner
Membership No.: F-33220

Bangalore: May 24, 2007

For GIRISH MURTHY & KUMAR
Chartered Accountants

A. V. Satish Kumar
Partner
Membership No.: F-26526

Bangalore: May 24, 2007

Annexure to Auditors' Report

[Referred to in paragraph 3 of our report of even date to the members of Gokaldas Exports Limited on the financial statements for the year ended March 31, 2007]

1.
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. These records are being updated to reflect the additions and deletions during the year under report.
 - b. According to the information and explanations given to us, management conducted physical verification of certain fixed assets during the year under report, and no material discrepancies were noticed as compared to book records maintained. In our opinion, the frequency of physical verification of fixed assets is reasonable having regard to the size of the Company and the nature of its fixed assets.
 - c. In our opinion the Company has not disposed off a substantial part of fixed assets during the year under report; accordingly, the going concern assumption is not affected.
2.
 - a. According to the information and explanations given to us, management conducted physical verification of inventories at reasonable intervals during the year.
 - b. In our opinion, and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - c. In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of its inventory. The discrepancies noticed on physical verification of inventory as compared to the book records were not of material nature.
3.
 - a. In our opinion and according to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clauses (b), (c) and (d) of clause (iii) of paragraph 4 of the said Order are not applicable.
 - b. The Company has availed interest-free, unsecured loans from nine parties covered in the register maintained under section 301 of the Companies Act, 1956. In respect of such loans, the aggregate of the maximum balances outstanding during the year was Rs 994,332,532 and the aggregate of the closing balances as at the balance sheet date, is Rs. 358,814,936.
 - c. In our opinion and according to the information and explanations given to us, the terms and conditions on which these interest-free loans are availed, are prima facie, not prejudicial to the interest of the Company.
 - d. According to the information and explanations given to us, and having regard to the explanation that the loans availed are on call basis and that during the year the Company made repayments as and when called upon to do so, in our opinion, the Company is regular in repayment of the loans.
4. In our opinion, and according to the information and explanations given to us, the Company has an adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.
5.
 - a. According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that are required to be entered into the register maintained under that Section, have been so entered.
 - b. In our opinion and according to the information and explanations given to us, the transactions made during the year in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five hundred thousand in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder, are applicable.
7. The Company had an internal audit system during the year under report, which in our opinion, needs to be further strengthened to make it commensurate with the size of the Company and the nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the activities of the Company.

9. a. According to the information and explanations given to us, the Company was generally regular during the year under report in depositing undisputed statutory dues including provident fund, dues of investors' education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty and cess with the appropriate authorities. As at the year-end, there were no such dues that remained unpaid for a period exceeding six months from the date they were payable.
- b. According to the records of the Company, as at the balance sheet date there are no dues of income-tax, sales-tax, wealth tax, customs duty, excise duty, service tax or cess that remained unpaid on account any disputes.
10. The Company does not have any accumulated losses as at the year end, and did not incur cash losses during the financial year under report and the immediately preceding financial year.
11. On the basis of our examination and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks or financial institutions. The Company did not have any debentures outstanding during the year under report.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities; accordingly, the provisions of clause (xii) of paragraph 4 of the said Order are not applicable.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society and accordingly, the provisions of clause (xiii) of paragraph 4 of the said Order are not applicable.
14. During the year under report, except for the temporary deployment of surplus funds in units of mutual funds, the Company did not deal or trade in shares, securities, debentures or other investments. In respect of its investments, the Company has maintained proper records of transactions and contracts and made timely entries therein. All investments of the Company are held in its own name.
15. According to the information and explanations given to us, during the year under report, the Company has not given guarantees for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us, during the year under report, the Company has applied term loans for the purposes they were obtained.
17. In our opinion, and on the basis of our examination and according to the information and explanations given to us, on an overall examination of the balance sheet of the Company, we report that during the year, the Company has prima facie, not used funds raised on short-term basis for long-term investment.
18. According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company did not have any debentures outstanding during the year under report; accordingly, there is no question of creating security in respect thereof.
20. We have verified the end-use of money raised by public issue and the same has been disclosed in the notes to the financial statements.
21. To the best of our knowledge and belief, and according to the information and explanations given to us, there have been no cases of fraud on or by the Company, noticed or reported during the year.

For RSM & Co.
Chartered Accountants

Vilas Y. Rane
Partner
Membership No.: F-33220

Bangalore: May 24, 2007

For GIRISH MURTHY & KUMAR
Chartered Accountants

A. V. Satish Kumar
Partner
Membership No.: F-26526

Bangalore: May 24, 2007

BALANCE SHEET AS AT MARCH 31, 2007

Rupees in Lakhs

	Schedule	As at March 31, 2007	As at March 31, 2006
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	I	1,718.80	1,718.80
Reserves and Surplus	II	39,056.99	32,833.07
		40,775.79	34,551.87
Loan Funds			
Secured Loans	III	26,683.06	15,477.59
Unsecured Loans	IV	3,588.15	6,423.48
		30,271.21	21,901.07
Deferred Tax (net) [Refer Note C-11 of Schedule XVII]		999.46	532.33
Total		72,046.46	56,985.27
APPLICATION OF FUNDS			
Fixed Assets V			
Gross Block		28,871.09	20,355.97
Less: Depreciation		8,088.79	5,702.16
Net Block		20,782.30	14,653.81
Capital work-in-progress (including capital advances)		3,432.09	1,371.01
		24,214.39	16,024.82
Investments VI		7,123.77	9,318.47
Current Assets, Loans and Advances VII			
Inventories		33,603.31	26,747.88
Sundry Debtors		7,897.29	5,615.68
Cash and Bank Balances		651.79	704.40
Other Current Assets		1,838.60	635.31
Loans and Advances		4,793.93	3,997.19
		48,784.92	37,700.46
Less: Current Liabilities and Provisions VIII			
Current Liabilities		6,519.41	4,842.32
Provisions		1,561.18	1,220.79
		8,080.59	6,063.11
Net Current Assets		40,704.33	31,637.36
Miscellaneous Expenditure IX (to the extent not written off or adjusted)		3.97	4.63
Total		72,046.46	56,985.27
Significant Accounting Policies and Notes to Account XVII			

Schedules referred to above form an integral part of the accounts.

As per our report of even date

for GIRISH MURTHY & KUMAR
Chartered Accountants

A.V. SATISH KUMAR

Partner

Membership No. F-26526

Place : Bangalore

Dated : May 24, 2007

for RSM & Co

Chartered Accountants

VILAS Y.RANE

Partner

Membership No. F-33220

Place : Bangalore

Dated : May 24, 2007

For and on behalf of the Board

Madanlal J Hinduja

Chairman and Managing Director

Rajendra J Hinduja

Executive Director - Fin. & Admn.

K.B. Shyam Kumar

Company Secretary

Bangalore, May 24, 2007

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

Rupees in Lakhs

	Schedule	For the year ended March 31, 2007	For the year ended March 31, 2006
INCOME			
Sales	X	99,981.33	86,195.58
Other Income	XI	3,969.31	2,686.01
		103,950.64	88,881.59
EXPENDITURE			
Purchase of Finished Goods		-	4.81
(Increase)/Decrease in Stocks	XII	(1,882.64)	(3,074.39)
Materials, Manufacturing and Operating Expenses	XIII	83,202.58	73,405.09
Personnel Costs	XIV	5,568.96	4,438.08
Sales and Administrative Expenses	XV	4,569.17	4,077.03
Finance Charges	XVI	2,196.88	1,429.26
Depreciation	V	2,496.58	1,807.67
		96,151.53	82,087.55
Profit Before Tax		7,799.11	6,794.04
Provision for Taxation			
— Current Tax		285.05	191.83
— Deferred Tax		467.13	333.02
— Fringe Benefit Tax		27.71	24.75
— Income Tax of earlier years (net)		(9.05)	156.10
Net Profit for the Year		7,028.27	6,088.35
Profit Brought Forward from Previous Year		8,354.58	3,476.46
Amount available for Appropriation		15,382.85	9,564.81
Appropriations			
Proposed Dividend		687.52	515.64
Tax on Dividend		116.84	84.59
Transfer to General Reserve		710.00	610.00
		1,514.36	1,210.23
Balance carried to Balance Sheet		13,868.49	8,354.58
Earnings per share of Rs. 5 each - basic & diluted		20.45	17.88
Significant Accounting Policies and Notes to Accounts	XVII		

Schedules referred to above form an integral part of the accounts.

As per our report of even date

for GIRISH MURTHY & KUMAR
Chartered Accountants

A.V. SATISH KUMAR
Partner

Membership No. F-26526

Place : Bangalore

Dated : May 24, 2007

for RSM & Co
Chartered Accountants

VILAS Y.RANE
Partner

Membership No. F-33220

Place : Bangalore

Dated : May 24, 2007

For and on behalf of the Board

Madanlal J Hinduja
Chairman and Managing Director

Rajendra J Hinduja
Executive Director - Fin. & Admn.

K.B. Shyam Kumar
Company Secretary
Bangalore, May 24, 2007

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

Rupees in Lakhs

	As at March 31, 2007	As at March 31, 2006
SCHEDULE I - SHARE CAPITAL		
Authorized		
40,000,000 (20,000,000 of Rs. 10 each) Equity Shares of Rs. 5 each	2,000.00	2,000.00
ISSUED, SUBSCRIBED AND PAID-UP		
34,376,000 Equity Shares of Rs.5 each (17,188,000 of Rs. 10 each) fully paid-up	1,718.80	1,718.80
[out of the above shares, 7,126,000 shares of Rs. 5 each (3,563,000 of Rs. 10 each) have been allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash]		
	1,718.80	1,718.80
SCHEDULE II - RESERVES AND SURPLUS		
Capital Reserve - as per last balance sheet	9,751.19	9,751.19
Securities Premium Account		
Balance as per last balance sheet	13,721.31	1,600.00
Add: Received on issue of equity shares	-	12,968.75
Less: Share issue expenses	-	(847.44)
	13,721.31	13,721.31
General Reserve		
Balance as per last balance sheet	1,006.00	396.00
Add: Transferred from Profit and Loss Account	710.00	610.00
	1,716.00	1,006.00
Surplus in Profit and Loss Account	13,868.49	8,354.58
	39,056.99	32,833.07
SCHEDULE III - SECURED LOANS		
Packing Credit Loans from Banks	20,225.48	14,211.61
[Secured by hypothecation of raw materials, finished goods & book debts]		
Term Loan from Banks (Under Technology Upgradation Fund Scheme)	6,457.58	1,265.98
[Secured by hyphothecation of specific fixed assets purchased under term loans]		
	26,683.06	15,477.59
SCHEDULE IV - UNSECURED LOANS		
From Directors	-	4,461.17
Inter Corporate Deposits	3,588.15	68.30
From Others	-	1,894.01
	3,588.15	6,423.48

SCHEDULE - V - FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK		Rupees in Lakhs
	As on 01.04.2006	Additions	Sale during the year	As on 31.03.2007	As on 01.04.2006	for the Year	Adjustment for Sale	As on 31.03.2007	As on 31.03.2007		
Freehold land	717.79	612.31	-	1,330.10	-	-	-	-	1,330.10	717.79	
Buildings	1,305.32	1,504.95	-	2,810.27	418.92	171.49	-	590.41	2,219.86	886.40	
Lease hold improvements	109.66	11.72	-	121.38	11.21	10.59	-	21.80	99.58	98.45	
Plant & machinery	16,589.00	5,909.93	147.47	22,351.46	4,501.64	2,036.98	97.49	6,441.13	15,910.33	12,087.36	
Electrical Equipments	150.39	240.35	-	390.74	57.11	23.70	-	80.81	309.93	93.28	
Office equipments	168.07	53.84	-	221.91	72.31	17.11	-	89.42	132.49	95.76	
Furnitures & Fixtures	406.80	146.67	-	553.47	142.14	60.81	-	202.95	350.52	264.66	
Computers	521.16	117.44	-	638.60	317.98	108.20	-	426.18	212.42	203.18	
Vehicles	387.78	86.29	20.91	453.16	180.84	67.70	12.46	236.08	217.08	206.94	
Total	20,355.97	8,683.50	168.38	28,871.09	5,702.15	2,496.58	109.95	8,088.79	20,782.30	14,653.82	
Previous Year	12,909.51	7,549.93	103.47	20,355.97	3,958.37	1,807.67	63.88	5,702.16	14,653.81	8,951.14	

Rupees in Lakhs

	As at March 31, 2007	As at March 31, 2006
SCHEDULE VI - INVESTMENTS		
[Non-trade, at cost]		
A. Long-term Investments [at cost]		
In Government Securities [unquoted]		
National Savings Certificate	0.43	0.43
	0.43	0.43
In Bonds [unquoted]		
2,700 (Previous Year 2,700) US 64 Bonds of Rs. 100 each, fully paid-up	5.16	5.16
	5.16	5.16
In Subsidiary Companies [unquoted]		
All Colour Garments Private Limited	333.98	333.98
20,000 (Previous Year 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Deejay Trading Private Limited	81.96	81.96
20,000 (Previous Year 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Glamourwear Apparels Private Limited	101.46	101.46
20,000 (Previous Year 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Madhin Trading Private Limited	65.86	65.86
20,000 (Previous Year 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Magenta Trading Private Limited	69.08	69.08
20,000 (Previous Year 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Rafter Trading Private Limited	36.72	36.72
20,000 (Previous Year 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Rajdin Apparels Private Limited	170.90	170.90
20,000 (Previous Year 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Reflexion Trading Private Limited	1.00	1.00
10,000 (Previous Year 10,000) Equity Shares of Rs. 10 each, fully paid-up		
Rishikesh Trading Private Limited	67.83	67.83
20,000 (Previous Year 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Robot Systems Private Limited	327.81	327.81
12,000 (Previous Year 12,000) Equity Shares of Rs. 100 each, fully paid-up		
Seven Hills Clothing Private Limited	307.90	307.90
20,000 (Previous Year 20,000) Equity Shares of Rs. 10 each, fully paid-up		
SNS Clothing Private Limited	1,776.00	1,776.00
20,000 (Previous Year 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Vignesh Apparels Private Limited	80.89	80.89
20,000 (Previous Year 20,000) Equity Shares of Rs. 10 each, fully paid-up		
	3,421.39	3,421.39
B. Current Investments [unquoted, at lower of cost and fair value]		
In Mutual Funds		
2,852,781.149 (Previous year 2,852,781.149) units of Rs. 10 each in HDFC Multiple Yield Fund - Dividend	285.83	285.83
5,412,840.608 (Previous year Nil) units of Rs. 10 each in Reliance Short Term Fund - Dividend Plan	565.96	-
10,000,000 (Previous Year Nil) units of Rs. 10 each in Standard Chartered Fixed Maturity Plan - Series 5 Dividend Plan	1,000.00	-
Nil (Previous Year 14,684,575.322) units of Rs. 10 each in Prudential ICICI - Blended Plan A - Dividend	-	1,500.00
Nil (Previous year 24,905,944.717) units of Rs. 10 each in JM Equity & Derivative Fund - Dividend Option	-	2,526.23

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

Rupees in Lakhs

	As at March 31, 2007	As at March 31, 2006
10,000,000 (Previous year Nil) units of Rs. 10 each in Birla FTP - Series 11 - Dividend Plan	1,000.00	-
8,450,000 (Previous year Nil) units of Rs. 10 each in Birla FTP - Series 7 - Dividend Plan	845.00	-
Nil (Previous year 15,788,440.503) units of Rs. 10 each in Prudential ICICI Blended Plan B - Dividend	-	1,578.92
Nil (Previous year 5,084.026) units of Rs. 10 each in Prudential ICICI Floating Rate Plan - Dividend	-	0.51
	3,696.79	5,891.49
	7,123.77	9,318.47
Aggregate cost of unquoted investments - units of mutual funds	3,696.80	5,891.49
Aggregate market value of unquoted investments - units of mutual funds	3,708.33	6,003.11
Aggregate cost of unquoted investments - others	3,426.97	3,426.97
SCHEDULE VII - CURRENT ASSETS, LOANS AND ADVANCES		
Inventories		
[Refer Note No. B(c) in Schedule XVII for mode of valuation of inventories]		
Raw Materials and Packing Materials	23,961.81	19,305.05
Consumable Stores and Spares Parts	617.04	301.01
Finished Goods	3,810.12	2,543.26
Work-in-progress	5,214.34	4,598.56
	33,603.31	26,747.88
Sundry Debtors		
[Unsecured, considered good]		
Debts outstanding for a period exceeding six months	242.33	407.56
Others	7,654.96	5,208.12
	7,897.29	5,615.68
Cash and Bank Balances		
Cash on hand	27.07	24.11
Bank Balances with Scheduled Banks:		
— in Current Accounts	448.76	379.33
— Fixed Deposit Account	175.00	300.00
— Margin for Bank Guarantees	0.96	0.96
	651.79	704.40
Other Current Assets		
Interest accrued on bank deposits	0.03	4.95
Balances with customs, excise and other authorities	1,424.14	513.38
Others	414.43	116.98
	1,838.60	635.31
Loans and Advances		
Advances to Subsidiaries	1,726.62	1,184.60
Advances recoverable in cash or for value to be received		
— for Supplies and Services	868.22	964.22
— from Staff	44.96	49.46
— others	308.77	300.00
Taxes paid in Advance	374.68	559.69
Taxes paid in Advance - Fringe Benefit Tax	52.46	24.75
Deposits	1,418.22	914.47
	4,793.93	3,997.19
	48,784.92	37,700.46

Rupees in Lakhs

	As at March 31, 2007	As at March 31, 2006
SCHEDULE VIII - CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors (other than subsidiaries)		
— Due to Small Scale Industrial Undertakings		
[Refer Note No. C-5 to Schedule XVII]	129.05	72.93
— Others	4,027.67	2,576.24
Due to Subsidiaries	1,604.54	1,466.53
Advances from Customers	74.03	57.03
Other Liabilities	397.98	127.91
Dividends Declared pending encashment (not due to Investor Education and Protection Fund)	0.49	0.27
Book Overdraft	285.65	541.41
	6,519.41	4,842.32
Provisions		
Provision for Taxation	490.95	418.29
Provision for Fringe Benefit Tax	52.46	24.75
Proposed Dividend	687.52	515.64
Tax on Proposed Dividend	116.84	72.32
Provision for Gratuity	97.96	76.88
Provision for Leave Encashment	115.45	112.91
	1,561.18	1,220.79
	8,080.59	6,063.11
SCHEDULE IX - MISCELLANEOUS EXPENDITURE		
[to the extent not written off or adjusted]		
Preliminary Expenses - as per last balance sheet	4.63	5.29
Less: Amortised during the year	0.66	0.66
	3.97	4.63

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

Rupees in Lakhs

	For the year ended March 31, 2007	For the year ended March 31, 2006
SCHEDULE X - SALES		
Sale of Finished Goods		
— Export Sales	97,865.17	85,076.96
— Domestic Sales	2,030.11	628.14
Sale of other items	86.05	490.48
	99,981.33	86,195.58
SCHEDULE XI - OTHER INCOME		
Export Incentives	2,550.99	937.00
Other Operating Income	910.52	1,219.75
Interest [Tax Deducted at Source Rs.2.82 ; previous year Rs.7.03]	17.19	40.34
Interest on Income Tax refund	65.64	3.93
Dividend on current investments	295.28	170.40
Profit on sale of current investments	60.06	118.24
Profit on sale of fixed assets - net	-	6.11
Surplus on Forward Contracts	-	97.00
Sundry Credit Balances written back	17.09	73.41
Miscellaneous Income	52.54	19.83
	3,969.31	2,686.01
SCHEDULE XII - (INCREASE)/DECREASE IN STOCKS		
<u>Opening Stock</u>		
Finished Goods	2,543.26	2,674.11
Work-in-progress	4,598.56	1,393.32
	7,141.82	4,067.43
<u>Closing Stock</u>		
Finished Goods	3,810.12	2,543.26
Work-in-progress	5,214.34	4,598.56
	9,024.46	7,141.82
	(1,882.64)	(3,074.39)
SCHEDULE XIII - MATERIALS, MANUFACTURING AND OPERATING EXPENSES		
Consumption of Raw Materials	55,258.09	52,757.31
Consumption of Consumables, Stores and Spares	1,282.18	689.94
Job Work Charges	24,668.32	19,002.97
Power and Fuel	1,067.74	653.84
Repairs and Maintenance - Plant and Machinery	205.50	112.88
Other Manufacturing Expenses	720.75	188.15
	83,202.58	73,405.09
SCHEDULE XIV - PERSONNEL COSTS		
Salaries, Wages and Bonus	5,010.02	3,995.32
Contribution to Provident Fund and other Funds	488.06	410.89
Welfare Expenses	70.88	31.87
	5,568.96	4,438.08

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

Rupees in Lakhs

	For the year ended March 31, 2007	For the year ended March 31, 2006
SCHEDULE XV - SALES AND ADMINISTRATION EXPENSES		
Rent	333.74	186.60
Rates and Taxes	93.77	74.82
Insurance	106.82	79.58
Legal and Professional Charges	208.59	228.81
Printing and Stationery	214.80	212.07
Communication Costs	356.46	301.31
Travelling and Conveyance	231.18	222.65
Repairs and Maintenance		
— Buildings	10.65	17.10
— Others	395.83	290.57
Preliminary Expenses amortized	0.66	0.66
Auditors' Remuneration	18.50	17.00
Membership and Subscription	36.94	35.17
Commission, Discounts and Brokerage	724.20	413.14
Clearing, Forwarding and Freight	468.19	1,081.23
Export Claims	257.25	97.03
Customs Duty	29.53	51.92
Charity and Donation	65.36	27.76
Directors' Remuneration	144.00	144.00
Loss on Forward Contracts	10.47	-
Loss on Sale of Fixed Assets - net	18.33	-
Advertisement, Publicity and Business Promotion	76.98	69.36
Exchange Difference - net	646.86	379.05
Security Transaction Tax	3.09	0.96
Miscellaneous Expenses	116.97	146.24
	4,569.17	4,077.03
SCHEDULE XVI - FINANCE CHARGES		
Bank Interest		
— On Fixed Loans	209.20	20.19
— Others	1,677.28	983.21
Bank Charges	310.40	425.86
	2,196.88	1,429.26

SCHEDULE XVII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. Background

Gokaldas Exports Limited ('the Company') was incorporated on March 1, 2004 by converting the erstwhile partnership firm Gokaldas India under Part IX of the Companies Act, 1956. Pursuant to the order of the Hon'ble High Court of Karnataka dated November 20, 2004, Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited have been amalgamated with the Company, with April 1, 2004 being the appointed date. The Company currently operates a 100% Export Oriented Unit and a Domestic Tariff Area Unit. In addition to these units, the company has started a SEZ Unit during the year.

The Company is engaged in the business of design, manufacture and sale of a wide range of garments for men, women and children and caters to the needs of several leading international fashion brands and retailers. The principal source of revenue for the Company is from export of garments and related products.

B. Significant accounting policies

a. Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP) under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. Fixed assets and depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Inventories

Raw materials, packing materials, stores, spares and consumables are valued at cost. Finished goods and work in progress are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products and work in progress includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. Revenue recognition

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory/warehouse.

e. Export incentives

Export incentives are recognized on accrual basis in accordance with the applicable schemes formulated by the concerned authorities.

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction. Monetary foreign currency assets and liabilities are translated at the period end exchange rate. Resultant gains or losses are recognised in the profit and loss account.

g. Investments

Long term investments are valued at cost. Cost includes incidental charges incurred towards acquisition of such investments. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and fair value.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation conducted as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is recognised based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

C. Notes to Account

1. Contingent liabilities

Rupees in Lakhs

Particulars	As at March 31, 2007	As at March 31, 2006
Claims against the Company not acknowledged as debts	15.02	15.02
Guarantees given by banks	29.71	33.75
Outstanding letters of credit	1,849.81	2,997.70
Bills discounted with banks	12,110.45	7,348.03
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	1,235.39	931.29

2. During the year, the Company has imported capital goods without payment of duty under the Export Promotion Capital Goods Scheme. Under the scheme, the Company has export obligations of Rs. 4,392.51 lakhs (Previous Year Rs. 3,764.52 lakhs) to be fulfilled before June 27, 2014.

3. The Company had raised Rs. 13,281.25 through a public issue of shares during the year 2005-2006. As at March 31, 2007, the Company has fully utilized the proceeds of the issue as follows:

Rupees in Lakhs

Particulars	Upto March 31, 2007	Upto March 31, 2006
Capital Expenditure for setting up of new factories / modernization and expansion of existing factories (including capital advances)	12,198.19	7,748.19
Meeting issue expenses	1,083.06	1,083.06
Unutilized funds invested in Mutual Funds as at balance sheet date	-	4,450.00
Total	13,281.25	13,281.25

4. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

5. Sundry Creditors - Dues to Small Scale Industrial (SSI) Undertakings include dues to the following SSI units where amounts are outstanding for a period exceeding 30 days as at March 31, 2007:

Appu Paper Products
Arjun Plastics
Elegant Rocks Pvt Ltd
Guru Grafix

Jayjay Polymers
Kengeri Packers Pvt Ltd
Kumar Elastics
Maagra Associates
Mangal Plastic Udyog
Mascot Prints
Poorna Graphics
Reflex Printers
Royal Graphics
Sree Devi Prints
Sri Ram Industries
Sri Ram Packaging
The Printing House
Trimurti Polychem Pvt Ltd
Vidhura Polypack
Wadpack Pvt Ltd

6. Segment information

a. Primary business segment

The Company's activities of manufacture and sale of garments constitutes its single business segment.

b. Secondary business segment (by geographical area based on location of customers):

Rupees in Lakhs

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe	39,157.33 (28,860.30)	2,699.23 (2,294.97)	- (-)
USA, Canada and North America	52,663.93 (55,340.34)	3,965.48 (3,718.47)	- (-)
India	2,116.16 (1,118.62)	72,872.27 (56,500.68)	8,683.50 (7,549.93)
Others	6,043.90 (876.32)	585.86 (529.62)	- (-)
Total	99,981.32 (86,195.58)	80,122.84 (63,043.74)	8,683.50 (7,549.93)

Figures in brackets are for previous year.

7. Related party disclosure

a. The following are the names of related parties and description of relationship:

i. *Enterprises where control exist*

1. All Colour Garments Private Limited
2. Deejay Trading Private Limited
3. Glamourwear Apparels Private Limited
4. Madhin Trading Private Limited
5. Magenta Trading Private Limited
6. Rafter Trading Private Limited
7. Rajdin Apparels Private Limited
8. Reflexion Trading Private Limited
9. Rishikesh Apparels Private Limited
10. Robot Systems Private Limited
11. Seven Hills Clothing Private Limited
12. SNS Clothing Private Limited
13. Vignesh Apparels Private Limited

i. Other Related Parties with whom the Company had transactions:

Key management personnel

1. Mr. Madanlal J Hinduja – Chairman and Managing Director
2. Mr. Rajendra J Hinduja – Executive Director – Finance & Administration
3. Mr. Dinesh J Hinduja – Executive Director – Production & Marketing
4. Mr. Ashwin R Hinduja – Chief Operating Officer - Production
5. Mr. Vivek M Hinduja – Chief Operating Officer - Marketing
6. Mr. Gaurav D Hinduja – Chief Operating Officer - Marketing

Enterprises over which key management personnel and their relatives exercise significant influence

1. Dice Trading Private Limited
2. Hinduja Trading Company
3. Maze Trading Private Limited
4. Parichay Investments Limited
5. Rapple Trading Private Limited
6. Vag Exports Private Limited

- b. The following are the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

Rupees in Lakhs

Transactions	Enterprises where control exist	Key Management Personnel	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Job work charges	24,230.01 (18,430.80)	- (-)	- -	24,230.01 (18,430.80)
Material purchases	120.86 (122.31)	- (-)	- (-)	120.86 (122.31)
Garment purchases	- (3.98)	- (-)	- (-)	- (3.98)
Rent income	8.88 (4.08)	- (-)	- (-)	8.88 (4.08)
Rent expense	- (-)	- (-)	17.97 (7.56)	17.97 (7.56)
Sale of garments	116.62 (58.79)	- (-)	- (-)	116.62 (58.79)
Sale of Fabrics	21.19 (39.85)	- (-)	- (-)	21.19 (39.85)
Remuneration	- (-)	216.00 (210.47)	- (-)	216.00 (210.47)
Loans availed	- (-)	- (-)	3,519.85 (-)	3,519.85 (-)
Loans repaid	- (-)	6,355.18 (12.38)	- (-)	6,355.18 (12.38)
Recovery of Expenses			1.20 (1.80)	1.20 (1.80)
Balances outstanding as on March 31				
— Credit balances	1,604.54 (1,326.33)	18.00 (6,355.18)	129.49 (210.82)	1,752.03 (7,892.33)
— Debit balances	1,726.62 (1,021.73)	- (-)	- (3.09)	1,726.62 (1,024.82)

Figures in brackets are for previous year.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

Disclosure in respect of transactions that exceed 10% of the total value of transactions of the same type with related parties during the year:

Job work Charges

Rupees in Lakhs

	2006-2007	2005-2006
Job work Charges		
Glamourwear Apparels Private Limited	3,043.25	2,559.35
Magenta Trading Private Limited	2,916.49	2,090.06
Rishikesh Apparels Private Limited	2,937.39	2,111.92
Seven Hills Clothing Private Limited	5,709.29	3,647.92
Material Purchases		
Reflexion Trading Private Limited	58.98	49.56
Rajdin Apparels PVT Limited	61.87	72.75
Rent Income		
All Colour Garments Private Limited	3.00	3.00
Seven Hills Clothing Private Limited	1.08	1.08
SNS Clothing Private Limited	4.80	-
Rent Expense		
Hinduja Trading Co.,	5.40	5.40
VAG Exports Private Limited	12.57	2.16
Sale of Garments		
SNS Clothing Private Limited	116.62	58.79
Sale of Fabrics		
SNS Clothing Private Limited	21.19	39.85
Recovery of Expenses		
Parichay Investment Limited	1.20	1.80
Remuneration to Key management personnel:		
Madanlal J Hinduja	48.00	48.00
Rajendra J Hinduja	48.00	48.00
Dinesh J Hinduja	48.00	48.00
Vivek M Hinduja	24.00	32.00
Ashwin R Hinduja	24.00	32.00
Gaurav D Hinduja	24.00	2.47

8. Balances with companies under the same management under section 370(1B) of the Companies Act, 1956 included in Loans and Advances:

Rupees in Lakhs

Name of the company	As at March 31, 2007		As at March 31, 2006	
	Maximum balance outstanding during the year	Closing balance	Maximum balance outstanding during the year	Closing balance
Magenta Trading Private Limited	387.31	102.67	348.40	113.67
Rishkesh Apparels Private Limited	1,065.96	685.04	929.82	700.34
Rajdin Apparels Private Limited	432.25	323.55	190.40	91.88
Glamourwear Apparels Private Limited	427.65	132.54	306.17	45.69
Reflexion Trading Private Limited	325.83	180.51	139.26	-
Seven Hills Clothing Private Limited	853.67	271.61	559.29	162.03
Robot Systems Private Limited	11.01	1.10	-	-
Madhin Trading Private Limited	100.36	-	-	-
Rafter Trading Private Limited	267.61	29.60	-	-
Deejay Trading Private limited	177.34	-	-	-
Vignesh Apparels Private Limited	160.09	-	-	-

9. Earnings per share

Particulars	2006 - 2007	2005 - 2006
Net profit for the year as per profit and loss account (Rupees in Lakhs) considered as numerator for calculating earnings per share	7,028.27	6,088.35
Weighted average number of equity shares	343.76	340.51
Nominal value per share in Rs.	5.00	5.00
Earnings per share – Basic and diluted in Rs.	20.45	17.88

Note: With effect from February 15, 2007, the Company sub-divided its Equity Shares from Rs. 10 per share to Rs. 5 per share. Consequently, the weighted average number of shares outstanding for the previous year and the Earnings per share is restated to reflect such sub-division.

10. The following is the detail of investments in units of mutual fund purchased and sold during the year:

		<i>Units in Lakhs Rs. in Lakhs</i>	
Fund	Scheme	Purchase Units	Purchase value
Bench Mark Mutual Fund	Bench Mark Derivative Fund	1.55	1,600.28
DWS Investments	DWS Short Maturity Fund	100.00	1,023.80
JM Financial Mutual Fund	JM Short Term Fund Dividend Plan	244.88	2,697.81
Prudential ICICI Mutual Fund	ICICI Blended Fund	2.93	29.46
Franklin Templeton Investments	Templeton India Short Term Plan	0.37	402.81
Standard Chartered Mutual Fund	Standard chartered Fixed Maturity Plan	100.00	1,000.00
Birla Sun Life Mutual Fund	Birla FTP –Quarterly Series 7	84.50	845.00
Birla Sun Life Mutual Fund	Birla FTP –Quarterly Series 11	100.00	1000.00
J.M Financial Mutual Fund	J.M Equity & Derivative Fund-Dividend Plan	8.99	92.43
Reliance Mutual Fund	Reliance Short Term Fund-Dividend Plan	54.13	565.96

11. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

<i>Rupees in Lakhs</i>			
Particulars	As at March 31, 2006	Current year (charge)/credit	As at March 31, 2007
Difference between book and tax base of fixed assets	(747.00)	(382.88)	(1,129.88)
Retirement benefits allowed on payment basis accrued in books	26.17	(12.10)	14.07
Share issue expenses*	188.50	(72.15)	116.35
Total	(532.33)	(467.13)	(999.46)

* Share issue expenses, net of taxes, have been adjusted to the securities premium account.

12. The aggregate amount of research and development expenditure recognised as an expense during the year was Rs. 757.15 lakhs (Previous year Rs. 540.04 lakhs).

13. Other operating Income includes an amount of Rs.214.35 Lakhs being the claims relating to earlier years.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

14. Remuneration to directors

Rupees in Lakhs

Particulars	2006 – 2007	2005 – 2006
Salaries	144.00	144.00
Total	144.00	144.00

15. Auditors remuneration:

Rupees in Lakhs

Particulars	2006 – 2007	2005 – 2006
Audit fees	17.50	16.00
Taxation matters	1.00	1.00
Total	18.50	17.00

16. Licensed and installed capacities and production

Particulars	Unit	2006 – 2007	2005 – 2006
<i>Licensed capacity</i>			
Readymade garments	Pcs	Not Applicable	Not Applicable
<i>Installed capacity</i>			
Readymade garments			Refer note below
<i>Production</i>			
Readymade garments	Pcs	24,525,418	21,422,878

Note: Installed capacity cannot be quantified on account of a large variety of products that can be manufactured with varying specifications.

17. Purchase of finished goods

Rupees in Lakhs

Products	Unit	2006 – 2007		2005 – 2006	
		Quantity	Amount	Quantity	Amount
Readymade garments	Pcs	-	-	3,375	4.81
Total		-	-	3,375	4.81

18. Sales by class of goods

Rupees in Lakhs

Products	Unit	2006-2007		2005-2006	
		Quantity	Amount	Quantity	Amount
Readymade garments					
- Manufactured	Pcs	24,226,261	99,895.27	21,444,381*	85,701.51
- Traded	Pcs	-	-	3,375	5.64
Others			86.05		488.42
Total		24,226,261	99,981.32	21,445,680	86,195.57

* excludes free samples of 9,441 (10,267 pcs).

19. Stock of finished goods

Rupees in Lakhs

Products	Unit	2006-2007		2005-2006	
		Quantity	Amount	Quantity	Amount
<u>Manufactured:</u>					
Readymade garments	Pcs	1,069,177	3,810.12	778,762	2,543.26
Total		1,069,177	3,810.12	778,762	2,543.26

20. Raw materials consumed

Rupees in Lakhs

Products	Unit	2006-2007		2005-2006	
		Quantity	Amount	Quantity	Amount
Cloth	Mts.	41,265,797	38,885.80	40,115,683	37,692.37
Fusible interlining	Mts.	4,142,500	529.16	3,925,035	579.25
Polywadding	Mts.	1,265,540	349.95	3,037,302	656.32
Accessories		-	14,247.44		12,657.43
Others		-	1,245.73		1,171.95
Total			55,258.09		52,757.31

The above consumption figures are shown after adjusting excesses and shortages ascertained on physical count, unserviceable items, etc.

21. CIF value of imports

Rupees in Lakhs

Particulars	2006 - 2007	2005 - 2006
Capital goods	3,613.09	3,261.33
Raw materials and accessories	32,711.47	40,112.86
Stores and spares	94.02	61.58
Total	36,418.58	43,435.76

22. Expenditure in foreign currency

Rupees in Lakhs

Particulars	2006 - 2007	2005 - 2006
Travel expenses	44.14	57.09
Brokerage and commission	40.21	51.78
Export claims	257.25	114.56
Salaries	10.34	47.89
Consultancy	4.69	77.36
Interest	90.46	59.92
Others	33.71	47.19
Total	480.80	455.79

23. Value and percentage of imported and indigenous raw materials, spare parts and components consumed

Rupees in Lakhs

Particulars	2006 - 2007		2005 - 2006	
	Amount	%	Amount	%
<i>Raw Materials</i>				
Imported	28,993.92	52.47	38,016.92	72.06
Indigenous	26,264.17	47.53	14,740.39	27.94
Total	55,258.09	100.00	52,757.31	100.00
<i>Consumables, Stores and Spares</i>				
Imported	125.04	9.75	156.48	22.68
Indigenous	1,157.14	90.25	533.46	77.32
Total	1,282.18	100.00	689.94	100.00

24. Earnings in foreign currency

Rupees in Lakhs

Particulars	2006 - 2007	2005 - 2006
FOB value of exports	97,865.17	85,076.96
Freight and Insurance recoveries	1,814.35	916.23
Total	99,679.52	85,993.19

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

25. Information in respect of amounts remitted during the year in foreign currencies in respect of dividends:

Particulars	2006 – 07	2005 – 06
Number of non-resident shareholders on record date	134	192
Number of shares held by such shareholders on such record date	8,542	23,708
Amount in INR remitted during the year as dividend in respect of such holding (gross basis)	25,626	47,416
Financial year to which the dividend relates	2005-06	2004-05

26. The Company has 23 forward contracts outstanding as at March 31, 2007 for an aggregate amount of Rs.10,032.60 (lakhs) (Previous Year Rs. 11,603.80 (lakhs)) that were entered to hedge the foreign exchange risk that arises from the Company's foreign currency receivables. The foreign currency exposure as at the balance sheet date for which the Company has no hedge contract, aggregates Rs. 9,953.98 lakhs (Previous Year Rs. 3,157.55 lakhs).

27. Previous year's figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation.

Signatures to schedules I to XVI

For and on behalf of the Board

Madanlal J Hinduja

Chairman and Managing Director

Rajendra J Hinduja

Executive Director - Fin. & Admn.

K B Shyam Kumar

Company Secretary

Place : Bangalore

Dated : May 24, 2007

CASH FLOW STATEMENT

Rupees in Lakhs

PARTICULARS	31.03.2007	31.03.2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	7,799.11	6,794.04
Adjusted for:		
Depreciation	2,496.58	1,807.67
Interest expenses	2,196.88	1,429.26
Interest earned	(82.83)	(44.26)
(Profit)/Loss on sale of assets (net)	18.33	(6.11)
(Profit)/Loss on sale of investments	(60.06)	(118.24)
Dividend on investments	(295.28)	(170.40)
(Profit)/Loss on forward contract	10.47	(97.00)
Preliminary expenses amortised	0.66	0.66
Operating Profit / (Loss) before working capital changes	12,083.86	9,595.62
Adjustments for:		
(Increase)/Decrease in Trade and Other Receivables	(4,443.85)	(1,429.79)
(Increase)/Decrease in Inventories	(6,855.43)	(8,988.50)
Increase/(Decrease) in Trade Payables & Other Liabilities	1,956.25	(182.91)
Cash Generated from Operations	2,740.83	(1,005.58)
Taxes (paid)/refund received (net)	19.60	(177.07)
Net Cash Flow from Operating Activities	2,760.43	(1,182.65)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received (without interest on IT refund)	22.11	84.35
Purchase of Fixed Assets	(10,744.57)	(8,708.30)
Proceeds from Sale of Fixed Assets	40.09	45.71
Dividends received	295.28	170.40
Purchase of Investments	(9,257.55)	(27,338.72)
Proceeds from sale of Investments	11,512.30	21,565.31
Acquisition of Subsidiaries	-	(327.81)
Net Cash Flow from Investing Activities	(8,132.34)	(14,509.04)
C. Cash Flow from Financing Activities		
Net Proceeds from issue of Share Capital (Including Share Premium)	-	12,772.15
Proceeds from Packing Credit (net)	6,013.87	2,217.39
Proceeds from Term Loans	5,550.00	800.00
Repayment of Term Loans	(358.40)	(158.00)
Proceeds from Unsecured Loans	3,519.85	-
Repayment of Unsecured Loans	(6,355.18)	(12.38)
Profit / (Loss) on forward contracts	(10.47)	97.00
Preliminary expenses	-	-
Dividend Payouts (including Dividend Tax)	(587.74)	(391.70)
Interest paid	(2,196.88)	(1,429.26)
Net Cash Flow from Financing Activities	5,575.05	13,895.19

CASH FLOW STATEMENT CONTD.

		<i>Rupees in Lakhs</i>	
PARTICULARS	31.03.2007	31.03.2006	
D. Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)	203.14	(1,796.52)	
E. Opening Balance of Cash & Cash Equivalents	163.00	1,959.51	
F. Closing Balance of Cash & Cash Equivalents	366.14	163.00	
— Cash and Cash Equivalents include:			
— Cash and Bank balances	366.14	163.00	
	<u>366.14</u>	<u>163.00</u>	

As per our report of even date

for GIRISH MURTHY & KUMAR
Chartered Accountants

A.V. SATISH KUMAR

Partner

Membership No. F-26526

Place : Bangalore

Dated : May 24, 2007

for RSM & Co

Chartered Accountants

VILAS Y.RANE

Partner

Membership No. F-33220

Place : Bangalore

Dated : May 24, 2007

For and on behalf of the Board

Madanlal J Hinduja

Chairman and Managing Director

Rajendra J Hinduja

Executive Director - Fin. & Admn.

K. B. Shyam Kumar

Company Secretary

Bangalore, May 24, 2007

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 3 3 4 7 5
 Balance Sheet Date 3 1 0 3 2 0 0 7
Date Month Year

State code: 0 8

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Bonus Issue <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L
Right Issue <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	Private Placement <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Sources of Funds	Total Liabilities <input type="text"/> 7 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 4 <input type="text"/> 6 <input type="text"/> 4 <input type="text"/> 5	Total Assets <input type="text"/> 7 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 4 <input type="text"/> 6 <input type="text"/> 4 <input type="text"/> 5
	Paid-up Capital <input type="text"/> <input type="text"/> <input type="text"/> 1 <input type="text"/> 7 <input type="text"/> 1 <input type="text"/> 8 <input type="text"/> 8 <input type="text"/> 0	Reserves & Surplus <input type="text"/> <input type="text"/> 3 <input type="text"/> 9 <input type="text"/> 0 <input type="text"/> 5 <input type="text"/> 6 <input type="text"/> 9 <input type="text"/> 8
	Secured Loans <input type="text"/> <input type="text"/> 2 <input type="text"/> 6 <input type="text"/> 6 <input type="text"/> 8 <input type="text"/> 3 <input type="text"/> 0 <input type="text"/> 6	Unsecured Loans <input type="text"/> <input type="text"/> <input type="text"/> 3 <input type="text"/> 5 <input type="text"/> 8 <input type="text"/> 8 <input type="text"/> 1 <input type="text"/> 5
Application of Funds	Deferred tax liability (Net) <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 9 <input type="text"/> 9 <input type="text"/> 9 <input type="text"/> 4 <input type="text"/> 6	
	Net Fixed Assets including capital work in progress <input type="text"/> <input type="text"/> 2 <input type="text"/> 4 <input type="text"/> 2 <input type="text"/> 1 <input type="text"/> 4 <input type="text"/> 3 <input type="text"/> 9	Investments <input type="text"/> <input type="text"/> <input type="text"/> 7 <input type="text"/> 1 <input type="text"/> 2 <input type="text"/> 3 <input type="text"/> 7 <input type="text"/> 7
	Net Current Assets <input type="text"/> <input type="text"/> 4 <input type="text"/> 0 <input type="text"/> 7 <input type="text"/> 0 <input type="text"/> 4 <input type="text"/> 3 <input type="text"/> 2	Miscellaneous Expenditure <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 3 <input type="text"/> 9 <input type="text"/> 7
	Accumulated Losses <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> N I L	

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Total income) <input type="text"/> 1 <input type="text"/> 0 <input type="text"/> 3 <input type="text"/> 9 <input type="text"/> 5 <input type="text"/> 0 <input type="text"/> 6 <input type="text"/> 4	Total Expenditure <input type="text"/> <input type="text"/> 9 <input type="text"/> 6 <input type="text"/> 1 <input type="text"/> 5 <input type="text"/> 1 <input type="text"/> 5 <input type="text"/> 4
Profit/Loss before tax + - <input type="checkbox"/> <input type="checkbox"/> <input type="text"/> <input type="text"/> <input type="text"/> 7 <input type="text"/> 7 <input type="text"/> 9 <input type="text"/> 9 <input type="text"/> 1 <input type="text"/> 0	Profit/Loss after tax + - <input type="checkbox"/> <input type="checkbox"/> <input type="text"/> <input type="text"/> <input type="text"/> 7 <input type="text"/> 0 <input type="text"/> 2 <input type="text"/> 8 <input type="text"/> 2 <input type="text"/> 7

(Please tick appropriate box + for Profit - for Loss)

Earnings per share in Rs. (on profit after taxes) <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> . <input type="text"/> 4 <input type="text"/> 5	Dividend rate % <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 4 <input type="text"/> 0
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V. Generic Names of Principal Products of the Company (as per monetary terms)

Item Code No. (ITC Code)	<input type="text"/> x <input type="text"/> x <input type="text"/> 6 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 1 <input type="text"/> 1 <input type="text"/> 2	Product Description <input type="text"/> J <input type="text"/> A <input type="text"/> C <input type="text"/> K <input type="text"/> E <input type="text"/> T <input type="text"/> S
	<input type="text"/> x <input type="text"/> x <input type="text"/> 6 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 5 <input type="text"/> 2 <input type="text"/> 0	<input type="text"/> S <input type="text"/> H <input type="text"/> I <input type="text"/> R <input type="text"/> T <input type="text"/> S
	<input type="text"/> x <input type="text"/> x <input type="text"/> 6 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 6 <input type="text"/> 3 <input type="text"/> 0	<input type="text"/> B <input type="text"/> L <input type="text"/> O <input type="text"/> U <input type="text"/> S <input type="text"/> E <input type="text"/> S

For and on behalf of the board

Madanlal J Hinduja
 Chairman and Managing Director
 Bangalore : May 24, 2007

Rajendra J Hinduja
 Executive Director - Fin. & Admn.

K. B. Shyam Kumar
 Company Secretary

ANNEXURE TO DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956

Name of the Company	All Colour Garments Pvt Ltd	Deejay Trading Pvt. Ltd	Glamourwear Apparels Pvt. Ltd.	Madhin Trading Pvt. Ltd	Magenta Trading Pvt. Ltd	Rafter Trading Pvt. Ltd	Rajdin Apparels Pvt. Ltd	Reflexion Trading Pvt. Ltd	Rishikesh Apparels Pvt. Ltd	Seven Hills Clothing Pvt. Ltd	SNS Clothing Pvt. Ltd	Vignesh Apparels Pvt. Ltd	Robot Systems Pvt. Ltd
Financial Year ending	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007
Share of the subsidiary held by the Company on the above date													
a) Number of shares and Face value	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	10000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	12000 Eq. shares of Rs. 100/- each
b) Extent of holding	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Net aggregate amount of profit/ (loss) of subsidiary for the above financial year so far as they concern members of the Company	-	-	-	-	-	-	-	-	-	-	-	-	-
a) Dealt within the accounts of the company for the year ended 31 st March 2007	83581	46089	594027	506925	375108	10198	40826	172921	40196	115944	393505	226698	-120510
b) not dealt within the accounts of the company for the year ended 31 st March 2007													
Net aggregate amount of profit for previous financial years of the subsidiary, since it became subsidiary so far as they concern members of the Company	-	-	-	-	-	-	-	-	-	-	-	-	-
a) dealt within the accounts of the company for the year ended 31 st March 2007	127710	657914	357074	96764	198499	240697	447418	57475	270581	203601	-187636	575802	-216900
b) not dealt within the accounts of the company for the year ended 31 st March 2007													

For and on behalf of the Board

Bangalore
May 24, 2007

Madanlal J Hinduja
Chairman & Managing Director

Rajendra J Hinduja
Executive Director-Finance & Administration

K B Shyam Kumar
Company Secretary

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CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2007

GOKALDAS EXPORTS LTD

AUDITORS' REPORT

Auditors' report to the Board of Directors of Gokaldas Exports Limited on the consolidated financial statements of Gokaldas Exports Limited

We have examined the attached Consolidated Balance Sheet of Gokaldas Exports Limited and its subsidiaries ('the Group') as at March 31, 2007, the Consolidated Profit and Loss account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto (all together referred to as 'the Consolidated Financial Statements'). These Consolidated Financial Statements are the responsibility of the management of Gokaldas Exports Limited and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements prepared are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have not audited the financial statements of nine subsidiaries, whose separate financial statements reflect total assets of Rs. 1416.31 lakhs as at March 31, 2007 and total revenues of Rs. 24.42 lakhs and net cash flows of Rs. 75.65 lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of such subsidiaries, is based solely on the report of the other auditors. Further, one of the joint auditors has audited the financial statements of four subsidiary companies and their reports on the financial statements of such subsidiaries have been considered in arriving at our opinion on the Consolidated Financial Statements.

We report that the Consolidated Financial Statements have been prepared by the management of Gokaldas Exports Limited in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.

Based on our audit and on the consideration of reports of other auditors on the separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Consolidated Balance Sheet, of the state of affairs of Group as at March 31, 2007;
- b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
- c) in the case of Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For RSM & Co.
Chartered Accountants

Vilas Y. Rane
Partner
Membership No.: F-33220

Bangalore: May 24, 2007

For GIRISH MURTHY & KUMAR
Chartered Accountants

A. V. Satish Kumar
Partner
Membership No.: F-26526

Bangalore: May 24, 2007

CONSOLIDATED BALANCE SHEET for the year ended 31.03.2007

Rupees in Lakhs

	Schedule	As at March 31, 2007	As at March 31, 2006
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	I	1,718.80	1,718.80
Reserves and Surplus	II	39,118.71	32,869.97
		40,837.51	34,588.77
Loan Funds			
Secured Loans	III	26,683.06	15,477.59
Unsecured Loans	IV	3,588.15	6,790.41
		30,271.21	22,268.00
Deferred tax liability (net) [Refer Note C-8 of Schedule XVII]		1,001.39	525.90
Total		72,110.11	57,382.67
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	V	32,890.00	23,455.44
Less : Depreciation		8,911.41	6,147.41
Net Block		23,978.59	17,308.03
Capital Work-in-process (including capital advances)		3,456.05	1,414.90
		27,434.64	18,722.93
Investments	VI	3,703.00	5,899.69
Current Assets, Loans and Advances			
Inventories	VII	34,264.01	27,575.69
Sundry Debtors		7,984.52	5,897.95
Cash & Bank Balances		1,269.84	1,113.93
Other Current Assets		1,928.89	1,210.07
Loans & Advances		5,729.64	4,422.55
		51,176.90	40,220.19
Less: Current Liabilities and Provisions	VIII		
Current Liabilities		8,212.21	5,866.12
Provisions		1,996.85	1,599.40
		10,209.06	7,465.52
Net Current Assets		40,967.84	32,754.67
Miscellaneous Expenditure (to the extent not written off or adjusted)	IX	4.63	5.38
Total		72,110.11	57,382.67
Significant Accounting Policies and Notes to Accounts			
	XVII		

Schedules referred to above form an integral part of the financial statements.

As per our report of even date

for GIRISH MURTHY & KUMAR
Chartered Accountants

A.V. SATISH KUMAR
Partner
Membership No. F-26526

Place : Bangalore
Dated : May 24, 2007

for RSM & Co
Chartered Accountants

VILAS Y.RANE
Partner
Membership No. F-33220

Place : Bangalore
Dated : May 24, 2007

For and on behalf of the Board

Madanlal J Hinduja
Chairman and Managing Director
Rajendra J Hinduja
Executive Director - Fin. & Admn.

K.B. Shyam Kumar
Company Secretary
Bangalore, May 24, 2007

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

Rupees in Lakhs

	Schedule	For the year ended March 31, 2007	For the year ended March 31, 2006
INCOME			
Sales	X	100,507.50	87,034.12
Other Income	XI	3,988.51	2,702.78
		104,496.01	89,736.90
EXPENDITURE			
Purchase of Finished Goods		-	115.30
(Increase) / Decrease in Stocks	XII	(1,658.26)	(2,974.02)
Material, Manufacturing and Operating Expenses	XIII	60,531.53	56,503.07
Personnel Costs	XIV	26,157.58	19,993.24
Sales & Administrative Expenditure	XV	6,491.42	5,655.53
Finance Charges	XVI	2,210.00	1,444.82
Depreciation	V	2,878.90	2,103.11
		96,611.17	82,841.05
Profit Before Tax & Extraordinary Items		7,884.84	6,895.85
Add: Extraordinary Items		4.35	-
Profit Before Tax		7,889.19	6,895.85
Provision for Taxation			
— Current Taxation		336.77	238.32
— Deferred tax		475.49	368.78
— Fringe Benefit Tax		34.29	33.76
— Income Tax of Earlier Years		(10.46)	158.07
Net profit for the year		7,053.10	6,096.92
Balance Brought Forward from Previous Year		8,373.54	3,486.85
Amount available for appropriation		15,426.64	9,583.77
Appropriations			
Proposed Dividend		687.52	515.64
Tax on Dividends		116.84	84.59
Transfer to General Reserve		710.00	610.00
		1,514.36	1,210.23
Balance carried to Balance Sheet		13,912.28	8,373.54
Earning per Share of Rs.5/- each(basic and diluted)		20.52	17.91
Significant Accounting Policies and Notes to Accounts	XVII		

Schedules referred to above form an integral part of the financial statements.

As per our report of even date

for GIRISH MURTHY & KUMAR
Chartered Accountants

A.V. SATISH KUMAR
Partner
Membership No. F-26526

Place : Bangalore
Dated : May 24, 2007

for RSM & Co
Chartered Accountants

VILAS Y.RANE
Partner
Membership No. F-33220

Place : Bangalore
Dated : May 24, 2007

For and on behalf of the Board

Madanlal J Hinduja
Chairman and Managing Director
Rajendra J Hinduja
Executive Director - Fin. & Admn.

K.B. Shyam Kumar
Company Secretary
Bangalore, May 24, 2007

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

Rupees in Lakhs

	As at March 31, 2007	As at March 31, 2006
SCHEDULE - I - SHARE CAPITAL		
AUTHORISED		
40,000,000 (20,000,000) Equity Shares of Rs.5/- each	2,000.00	2,000.00
ISSUED, SUBSCRIBED, AND PAID UP		
34,376,000 Equity Shares of Rs.5 each (17,188,000 of Rs. 10 each) fully paid-up [out of the above shares, 7,126,000 shares of Rs. 5 each (3,563,000 of Rs. 10 each) have been allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash]	1,718.80	1,718.80
SCHEDULE - II - RESERVES & SURPLUS		
Capital Reserve		
Balance as per last balance sheet	9,769.12	9,769.12
Securities Premium		
Balance as per last balance sheet	13,721.31	1,600.00
Add: Received on issue of equity shares	-	12,968.75
Less: Share issue expenses	-	(847.44)
	13,721.31	13,721.31
General Reserve		
Balance as per last balance sheet	1,006.00	396.00
Add: Transferred from Profit and Loss Account	710.00	610.00
	1,716.00	1,006.00
Surplus in Profit & Loss Account	13,912.28	8,373.54
	39,118.71	32,869.97
SCHEDULE III - SECURED LOANS		
Packing Credit Loans from Banks	20,225.48	14,211.61
(Secured by hypothecation of Raw Materials, Finished Goods & Book debts)		
Term Loan from Banks (Under Technology Upgradation Fund Scheme)	6,457.58	1,265.98
(Secured by hypothecation of specific fixed Assets purchased under term loan)	26,683.06	15,477.59
SCHEDULE IV - UNSECURED LOANS		
From Directors	-	4,828.11
Inter Corporate Deposits	3,588.15	68.30
From Others	-	1,894.00
	3,588.15	6,790.41

SCHEDULE - V - FIXED ASSETS
(at cost less depreciation)

Rupees in lakhs

Particulars	Grossblock			Depreciation			Net Block	
	As At 01.04.2006	Additions	Deletions/ Adjustments	As At 31.03.2007	As At 01.04.2006	For The Year	As At 31.03.2007	As At 31.03.2006
Goodwill on consolidation	314.79	-	-	314.79	-	-	314.79	314.79
Freehold Land	718.76	612.31	-	1,331.07	-	-	1,331.07	718.76
Leasehold Improvements	160.58	16.67	-	177.25	14.35	11.15	151.75	146.23
Buildings	1,775.23	1,713.24	-	3,488.47	485.14	230.07	2,773.26	1,290.09
Computers	525.98	117.44	0.50	642.92	320.48	109.06	213.64	205.50
Electrical Equipments	929.11	578.28	5.36	1,502.02	160.89	135.06	1,207.42	768.23
Furniture & Fixtures	926.43	287.18	-	1,213.60	255.65	144.36	813.60	670.77
Plant & Machinery	17,492.24	6,149.16	160.70	23,480.71	4,643.99	2,154.85	16,782.37	12,848.25
Office Equipments	195.12	62.21	-	257.32	76.09	20.80	160.44	119.03
Vehicles	417.20	86.29	21.66	481.83	190.81	73.56	230.27	226.39
Grand Total	23,455.44	9,622.77	188.21	32,890.00	6,147.41	2,878.90	23,978.60	17,308.03
Previous Year	14,480.46	9,083.37	108.38	23,455.44	4,096.33	2,103.11	17,308.03	10,384.13

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

Rupees in Lakhs

	As at March 31, 2007	As at March 31, 2006
SCHEDULE VI - INVESTMENTS [Non-trade, at cost]		
A. Long-term Investments		
In Government Securities [unquoted]		
National Savings Certificate	0.85	3.01
Indira Vikas Pathra	0.19	0.03
In Bonds [unquoted]		
2,700 (Previous year 2,700) US 64 Bonds of Rs 100 each, fully paid up	5.16	5.16
B. Current Investments[unquoted, at lower of cost and fair value]		
In Mutual Funds [Quoted]		
28,52,781.149 (Previous Year 28,52,781.149) Units of Rs.10/- each in HDFC Multiple yeild fund - dividend	285.83	285.83
NIL (Previous Year 14,684,575.322) units of Rs 10/- each in Prudential ICICI - Blended A Plan Dividend	-	1,500.00
10,000,000 (Previous Year Nil) units of Rs. 10 each in Standard Chartered Fixed Maturity Plan - Series 5 Dividend Plan	1,000.00	-
NIL (Previous Year 24,905,944.717) Units of Rs. 10/- each in JM Equity Derivative fund - dividend Plan	-	2,526.23
8,450,000 (Previous year Nil) units of Rs. 10 each in Birla FTP - Series 7 - Dividend Plan	845.00	-
5,412,840.608 (Previous year Nil) units of Rs. 10 each in Reliance Short Term Fund - Dividend Plan	565.97	-
NIL (Previous Year 15,788,440.503) Units of Rs.10/- each in Prudential ICICI Blended Plan B Dividend	-	1,578.92
NIL (Previous Year 5,084.026) Units of Rs.10/- each in Prudential ICICI Floatong Rate Plan Dividend	-	0.51
10,000,000 (Previous year Nil) units of Rs. 10 each in Birla FTP - Series 7 - Dividend Plan	1,000.00	-
	3,703.00	5,899.69
Aggregate cost of un - quoted investments - units of mutual funds	3,696.80	5,891.49
Aggregate market value of un - quoted investments - units of mutual funds	3,708.33	6,003.11
Aggregate cost of other investments	6.20	8.20

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

Rupees in Lakhs

	As at March 31, 2007	As at March 31, 2006
SCHEDULE VII - CURRENT ASSETS, LOANS AND ADVANCES		
Inventories		
(Refer Note No. B(c) to schedule XVII for mode of valuation of inventories)		
Raw Materials	24,173.30	19,489.34
Consumable Stores and Spare parts	776.83	430.73
Work-in-Progress	5,214.34	4,598.56
Finished Goods	4,099.54	3,057.06
	34,264.01	27,575.69
Sundry Debtors		
(Unsecured, considered good)		
Debts outstanding for a period exceeding six months	296.42	104.11
Others	7,688.10	5,793.84
	7,984.52	5,897.95
Cash and Bank Balances		
Cash on Hand	250.60	224.64
Bank Balances with Scheduled Banks		
— in Current Accounts	843.28	588.33
— Fixed Deposit Account	175.00	300.00
— As margin against Bank Guarantees	0.96	0.96
	1,269.84	1,113.93
Other Current Assets		
Interest accrued on bank deposits	0.03	4.95
Balances with customs, excise and other authorities	1,424.14	513.38
Others	504.72	691.74
	1,928.89	1,210.07
LOANS AND ADVANCES		
Advances recoverable in cash or for value to be received		
— for Supplies and Services	982.30	1,121.38
— from Staff	195.19	146.77
— Others	326.38	319.90
Taxes paid in Advance - Income Tax	833.53	778.98
Taxes paid in Advance - Fringe Benefit Tax	52.46	24.75
Deposits	3,339.78	2,030.77
	5,729.64	4,422.55
	51,176.90	40,220.19

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

Rupees in Lakhs

	As at March 31, 2007	As at March 31, 2006
SCHEDULE VIII - CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES :		
Due to Small Scale Industrial Undertakings	129.05	66.34
Due to Others	4,235.46	2,867.34
Advance received from customers	80.62	66.45
Other Liabilities	3,337.17	2,248.08
Book Overdraft	429.42	617.64
Dividends Declared pending encashment (not due to investors	0.49	0.27
Education and Protection fund)		
	8,212.21	5,866.12
PROVISIONS :		
Provision for Taxation	621.09	501.91
Provision for Fringe Benefit Tax	53.41	25.56
Proposed Dividend	687.52	515.64
Tax on Proposed Dividends	116.84	72.32
Provision for Gratuity	247.01	201.45
Provision for Leave Encashment	270.98	282.52
	1,996.85	1,599.40
	10,209.06	7,465.52
SCHEDULE IX - MISCELLANEOUS EXPENSES		
(to the extent not written off or adjusted)		
Preliminary Expenses - as per last balance sheet	5.38	6.13
Less : Amortised during the year	0.75	0.75
	4.63	5.38

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

Rupees in Lakhs

	For the year ended March 31, 2007	For the year ended March 31, 2006
SCHEDULE X - SALES		
Sale of Finished Goods		
— Export Sales	97,865.17	85,076.96
— Domestic Sales	2,494.38	1,373.70
Sale of other items	90.71	569.34
Contract Receipts	57.24	14.12
	100,507.50	87,034.12
SCHEDULE XI - OTHER INCOME		
Export Incentives	2,550.99	937.00
Other Operating Income	911.74	1,220.19
Interest [Tax Deducted at source Rs.2.82 Lakhs (previous year Rs 7.03 Lakhs)]	33.74	40.38
Interest on Income Tax refund	65.64	3.93
Dividends on current investments	295.29	170.40
Profit on sale of current investments	60.06	118.24
Profit on sale of fixed assets	0.50	6.11
Surplus on Forward Contract	-	97.00
Credit Balances Written Back	17.55	73.41
Prior Period Income	0.09	3.10
Miscellaneous Income	52.91	33.02
	3,988.51	2,702.78
SCHEDULE XII - (Increase)/Decrease in Stocks		
Opening Stock		
Finished Goods	3,057.06	3,288.29
Work-in-progress	4,598.56	1,393.31
	7,655.62	4,681.60
Closing Stock		
Finished Goods	4,099.54	3,057.06
Work-in-progress	5,214.34	4,598.56
	9,313.88	7,655.62
	(1,658.26)	(2,974.02)
SCHEDULE XIII - MATERIAL, MANUFACTURING AND OPERATION EXPENSES		
Consumption of Raw Materials and Packing Materials	55,168.98	52,964.42
Consumption of Consumables, stores and spares	1,289.87	793.90
Job Work Charges	497.42	614.70
Power & Fuel	2,053.17	1,528.66
Repairs & Maintenance - plant and machinery	394.69	267.35
Other Manufacturing Expenses	1,127.40	334.04
	60,531.53	56,503.07
SCHEDULE XIV - PERSONNEL COSTS		
Salaries, Wages & Bonus	22,885.67	17,324.21
Contribution to Provident Fund & Other Funds	3,011.26	2,392.92
Welfare Expenses	260.65	276.11
	26,157.58	19,993.24

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

Rupees in Lakhs

	For the year ended March 31, 2007	For the year ended March 31, 2006
SCHEDULE XV - SALES & ADMINISTRATION EXPENSES		
Rent	1,335.92	1,012.76
Rates and Taxes	118.98	117.66
Insurance	163.67	122.88
Legal & Professional Charges	419.01	286.96
Printing & Stationery	248.95	273.84
Communication Costs	380.67	318.00
Travelling & Conveyance	287.31	312.00
Repairs & Maintenance		
— Building	46.62	72.26
— Others	624.46	435.77
Preliminary Expenses amortized	0.75	0.82
Auditors' Remuneration	23.80	21.93
Membership & Subscription	36.98	35.22
Commission Discount & Brokerage	735.80	440.32
Clearing, Forwarding and Freight	469.06	1,081.84
Export Claims	257.25	97.03
Customs Duty	29.82	53.49
Charity & Donation	65.42	27.92
Director's Remuneration	144.00	144.00
Loss on Forward Contracts	10.47	-
Loss on sale of fixed assets	18.33	0.76
Advertisement, Publicity & Business Promotion	113.50	119.46
Foreign Exchange Difference(net)	646.86	379.05
Security Transaction Tax	3.09	0.96
Miscellaneous Expenses	310.70	300.60
	6,491.42	5,655.53
SCHEDULE XVI - FINANCIAL CHARGES		
Bank Interest		
— On Fixed Loans	209.19	20.19
— On Others	1,677.28	983.30
Bank Charges	323.53	441.33
	2,210.00	1,444.82

SCHEDULE XVII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT

A. Principles of Consolidation

1. The Consolidated Financial Statements relate to the Company [Gokaldas Exports Limited] and its subsidiaries. The consolidated Financial Statements have been prepared on the following basis:
 - (i) The Financial Statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21 – “Consolidated Financial Statements” issued by The Institute of Chartered Accountants of India.
 - (ii) The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company’s separate Financial Statements except as otherwise stated in the Notes to Account.
 - (iii) The difference between the costs of investment in the subsidiaries over the net assets as on the date of acquisition of shares in the subsidiaries is recognized in the Financial Statements as Goodwill (if investment exceeds net assets) or Capital Reserve (if net assets exceeds cost of investment) as the case may be.
2. Investments other than in subsidiaries have been accounted for as per Accounting Standard (AS) – 13 on “Accounting for Investments” issued by The Institute of Chartered Accountants of India.

B. Significant Accounting Policies

a. Basis of preparation of financial statements and use of estimates

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (“Indian GAAP”) under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b. Fixed assets and depreciation

Fixed assets are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

c. Inventories

Raw material, packing material, stores, spares and consumables are valued at cost. Finished goods and work in progress are valued at lower of cost and net realisable value. Cost is ascertained on weighted average basis and in case of finished products and work in progress includes appropriate production overheads. Duty liabilities, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

d. Revenue recognition

I) Sale: Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory/warehouse.

II) Contract Receipt: Contract receipts are recognized as per the complete service contract method, upon delivery of finished goods, in accordance with requirement of AS 9.

e. Export incentives

Export incentives comprise of duty drawback. The benefit under this incentive scheme is available based on the guideline formulated by the government authorities. Duty drawback is recognized as revenue on accrual basis to the extent it is probable that realisation is certain.

f. Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transaction.

NOTES TO ACCOUNTS

Monetary foreign currency assets and liabilities are translated at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account.

g. Investments

Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. Current investments are valued at lower of cost and market value. Cost includes incidental charges incurred towards acquisition of such investments.

h. Retirement benefits

Company's contributions to defined contribution schemes such as provident fund and family pension funds are charged to the profit and loss account on accrual basis. Provision for leave encashment and gratuity, which is in the nature of defined benefit scheme, is based on actuarial valuation done as at the balance sheet date by independent actuaries.

i. Accounting for taxes on income

Provision for current tax is made based on the tax payable for the year under the Income-tax Act, 1961. Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets, other than on unabsorbed tax depreciation and unabsorbed tax losses, are recognised only to the extent that there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax depreciation and unabsorbed tax losses are recognised only to the extent that there is virtual certainty of their realization supported by convincing evidence.

j. Preliminary expenses

Preliminary expenses are amortized over a period of ten years.

C. Notes to Account

The Consolidated Financial Statements relate to Gokaldas Exports Ltd and all its subsidiary companies. All the subsidiary companies are incorporated in India and are wholly owned by the Company. These Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India and are prepared based on the audited financial statements of the following subsidiary companies for the year ended March 31, 2007:

Name of the Company

- i. All Colour Garments Private Limited
- ii. Deejay Trading Private Limited
- iii. Glamourwear Apparels Private Limited
- iv. Madhin Trading Private Limited
- v. Magenta Trading Private Limited
- vi. Rafter Trading Private Limited
- vii. Rajdin Apparels Private Limited
- viii. Reflexion Trading Private Limited
- ix. Rishikesh Apparels Private Limited
- x. Seven Hills Clothing Private Limited
- xi. SNS Clothing Private Limited
- xii. Vignesh Apparels Private Limited
- xiii. Robot Systems Private Limited

1. Contingent liabilities

Rupees in Lakhs

Particulars	As at March 31, 2007	As at March 31, 2006
Disputed income tax demand pending in appeal	-	-
Other claims against the Company not acknowledged as debts	16.82	21.15
Guarantees given by banks	29.71	33.75
Outstanding letter of credit	1,849.81	2,997.70
Bills discounted with banks	12110.45	7,348.03
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	1235.39	972.29

NOTES TO ACCOUNTS

2. During the year, the Company has imported capital goods without payment of duty under the Export Promotion Capital Goods Scheme. Under the scheme the Company has export obligations of Rs. 4,392.51 lakhs (Previous Year Rs. 3,764.52 lakhs) to be fulfilled on or before June 27, 2014.
3. Goodwill of Rs.314.79 lakhs (Previous Year : Rs.314.79 lakhs) represents goodwill arising on consolidation of subsidiary company acquired during the previous year.Capital reserve includes Rs.7.39 lakhs (Previous Year Rs.7.39 lakhs) that arose on acquisition in an earlier year of subsidiary companies.
4. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realised in the ordinary course of the business. The provision for all the known liabilities including depreciation is adequate and not in excess of the amount reasonably necessary.

5. Segment information

- a. Primary business segment

The Company's activities of manufacture and sale of garments constitutes its single business segment.

- b. Secondary business segment (by geographical area based on location of customers)

Rupees in Lakhs

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
European Union and Western Europe	39,157.33 (28,860.30)	2,699.23 (2,294.97)	- (-)
USA, Canada and North America	52,663.93 (55,340.34)	3,965.48 (3,718.47)	- (-)
India	2,642.34 (1,957.15)	75,063.75 (69,727.06)	9,622.77 (9,852.72)
Others	6,043.90 (876.32)	585.86 (529.62)	- (-)
Total	100,507.50 (87,034.11)	82,314.32 (76,270.12)	9,622.77 (9,852.72)

6. Related party disclosure

- a. The following are the names of related parties and description of relationship where transactions were made during the year:

Key management personnel

1. Mr. Madanlal J Hinduja
2. Mr. Rajendra J Hinduja
3. Mr. Dinesh J Hinduja
4. Mr. Ashwin R Hinduja
5. Mr. Vivek M Hinduja
6. Mr. Gaurav D Hinduja

Enterprises over which key management personnel and their relatives exercise significant influence

1. Dazzle Trading Private Limited
2. Dice Trading Private Limited
3. Hinduja Trading Company
4. J.V.N. Exports Private Limited
5. Maze Trading Private Limited
6. Parichay Investments Limited
7. Polyproducts Private Limited
8. Rapple Trading Private Limited
9. Vag Exports Private Limited
10. AVIS Industrial Estate

NOTES TO ACCOUNTS

- b. The following are the details of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

Rupees in Lakhs

Transactions	Key Management Personnel	Enterprises over which key management personnel and their relatives exercise significant influence	Total
Rent paid	- (-)	156.35 (90.12)	156.35 (90.12)
Loans repaid	6,355.18 (12.38)	- (-)	6,355.18 (12.38)
Remuneration	216.00 (210.47)	- (-)	216.00 (210.47)
Loans availed	- (-)	3,519.85 (-)	3,519.85 (-)
Balance outstanding as on March 31			
— Credit balances	18.00 (6,722.11)	177.00 (210.82)	195.00 (6,932.93)
— Debit balances	- (-)	18.83 (11.78)	18.83 (11.78)

Rent paid

	2006-2007	2005-2006
Dazzle Trading Private Limited	7.20	7.20
Hinduja Trading Company	66.48	65.40
J.V.N. Exports Private Limited	5.50	6.00
Polyproducts Private Limited	3.60	3.60
Vag Exports Private Limited	48.57	7.92
AVIS Industrial Estate	25.00	-

Remuneration to key management personnel

	2006-07	2005-2006
Madanlal J Hinduja	48.00	48.00
Rajendra J Hinduja	48.00	48.00
Dinesh J Hinduja	48.00	48.00
Vivek M Hinduja	24.00	32.00
Ashwin R Hinduja	24.00	32.00
Gaurav D Hinduja	24.00	2.47

7. Earnings per share

Rupees in Lakhs

Particulars	2006 - 2007	2005-2006
Net profit for the year as per profit and loss accounts considered as numerator for calculating earnings per share	7,053.11	6,096.92
Weighted average number of equity shares	34,376,000	34,050,658
Nominal value per share (Rs.)	5	5
Earnings per share – Basic and diluted (Rs.)	20.52	17.91

Note : With effect from February 15, 2007 the Company sub-divided its Equity Shares from Rs.10 per share to Rs.5 per share. Consequently, the weighted average number of shares outstanding for the previous year and the earnings per share have been restated to reflect such sub-division.

8. Deferred taxes

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

Rupees in Lakhs

Particulars	As at March 31, 2007	Current year (charge)/credit	As at March 31, 2006
Difference between book and tax base of fixed assets	(1178.38)	(414.41)	(763.97)
Retirement benefits allowed on payment basis accrued in books	60.64	11.06	49.58
Share issue expenses*	116.35	(72.14)	188.50
Total	(1001.39)	(475.50)	(525.89)

* Share issue expenses, net of the related tax effect, has been adjusted in the securities premium account against the premium received on such issue.

9. The aggregate amount of research and development expenditure recognised as an expense during the year was Rs. 757.15 lakhs (Previous Year : Rs. 540.04 lakhs).

10. Remuneration to directors

Rupees in Lakhs

Particulars	2006 – 2007	2005 – 2006
Salaries	144.00	144.00
Total	144.00	144.00

11. Auditors remuneration includes:

Rupees in Lakhs

Particulars	2006 – 2007	2005 – 2006
Audit fees (inclusive of service tax)	23.80	20.80
Taxation matters	1.00	1.00
Total	24.80	21.80

12. The Company had 17 forward contracts and 6 options outstanding as at March 31, 2007 for an aggregate amount of Rs. 10,032.60 lakhs (Previous Year : Rs.11,603.80 lakhs) that were obtained to hedge the foreign exchange risk that arises from the Company's foreign currency receivables. The foreign currency exposure as at the balance sheet date for which the Company has no hedge contracts, aggregates Rs.9,953.98 lakhs (Previous Year Rs. 3,157.55 lakhs).
13. The previous year figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation.

Signatures to schedules I to XVII

For and on behalf of the Board

Madanlal J Hinduja

Chairman and Managing Director

Rajendra J Hinduja

Executive Director - Fin. & Admn.

K.B. Shyam Kumar

Company Secretary

Bangalore: May 24, 2007

CONSOLIDATED CASH FLOW STATEMENT

Rupees in Lakhs

PARTICULARS	31.03.2007	31.03.2006
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	7,884.84	6,895.85
Adjusted for:		
Depreciation	2,878.90	2,103.11
Interest expense	2,210.00	1,444.82
Interest Earned	(99.38)	(44.31)
(Profit)/Loss on sale of assets (net)	17.83	(5.36)
(Profit)/loss on sale of investments	(60.06)	(118.24)
Dividend on investments	(295.29)	(170.40)
(Profit)/Loss on forward contracts	10.47	(97.00)
Extra Ordinary Items	4.35	-
Preliminary expenses amortised	0.75	0.82
Operating Profit/(Loss) before Working Capital Changes	12,552.41	10,009.29
Adjustments for:		
(Increase)/Decrease in Trade and Other Receivables	(4,035.15)	(1,656.29)
(Increase)/Decrease in Inventories	(6,688.32)	(8,874.95)
(Decrease)/Increase in Trade Payables and Other Liabilities	2,568.10	436.78
Cash Generated from Operations	4,397.04	(85.17)
Tax paid (net of refund)	(230.17)	(89.89)
Net Cash Flow from Operating Activities	4,166.87	(175.06)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest Received (without interest on IT refund)	38.66	44.31
Proceeds on sale of assets	55.48	-
Proceeds from sale of investments	11,514.46	21,565.31
Dividends received	295.29	170.40
Purchase of Fixed Assets	(11,663.92)	(10,141.29)
Purchase of Investments	(9,257.71)	(27,340.75)
Net Cash Flow from Investing Activities	(9,017.74)	(15,702.02)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital (Including Share Premium)	-	12,772.15
Proceeds from Term Loans	5,550.00	800.00
Repayment of Term Loans	(358.40)	(158.00)
Proceeds from Short Term Borrowings secured (net)	6,013.87	2,217.38
Proceeds from Unsecured Loans (net)	(3,202.27)	353.49
Profit/(Loss) on forward contracts	(10.47)	97.00
Dividends payout (including dividend Tax)	(587.73)	(391.70)
Interest Paid	(2,210.00)	(1,444.82)
Net Cash Flow from Investing Activities	5,195.00	14,245.50

CASH FLOW STATEMENT CONTD.

Rupees in Lakhs

PARTICULARS	31.03.2007	31.03.2006
Net Increase/(Decrease) in Cash and Cash Equivalents	344.12	(1,631.58)
Opening Balance of Cash and Cash Equivalents	496.29	2,127.87
Closing Balance of Cash and Cash Equivalents	840.41	496.29

Schedules referred to above form an integral part of the accounts
As per our report of even date attached to the Balance Sheet.

As per our report of even date

For GIRISH MURTHY AND KUMAR
Chartered Accountants

A.V.SATISH KUMAR
Partner
Membership No. F-26526

Place : Bangalore
Dated : May 24, 2007

For RSM & Co
Chartered Accountants

VILAS Y. RANE
Partner
Membership No. F-33220

For and on behalf of the Board

Madanlal J Hinduja
Chairman and Managing Director

Rajendra J Hinduja
Executive Director - Fin. & Admn.

K.B.SHYAM KUMAR
Company Secretary

Place : Bangalore
Dated : May 24, 2007



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